Petition

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No. .....

IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

VOLUNTARY PURCHASING GROUPS, INC.,

Petitioner,

v.

CHEVRON CHEMICAL COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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QUESTION PRESENTED

Whether imitation of background colors of competitive packaging is a "false description or representation," or "false designation of origin" within the meaning of Section 43(a) of the Lanham Act (15 U.S.C. §1125a) where (1) dissimilar, federally registered trademarks are prominently displayed on the competitive packaging, (2) the background colors have no meaning to consumers as an indication of source, and (3) "... federal policy, found in Art. I, §8, Cl.8, of the Constitution ..., [allows] free access to copy whatever the federal patent and copyright laws leave in the public domain ...."*

RELATED QUESTIONS CURRENTLY PENDING BEFORE THE COURT

Inwood Laboratories, Inc. et al v. *Ives Laboratories, Inc.*, 638 F.2d 538 (2d Cir), *cert. granted*, 102 S. Ct. 386 (1981) (No. 80-2182, No. 81-11, October Term, 1981), presents questions concerning the applicability of Sections 32 and 43(a) of the Lanham Act to prevent imitation of the colors of competitive drug capsules.

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* *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964).

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OPINIONS BELOW

The two opinions below are set forth in appendices A and B.

The opinion of the District Court, which dismissed the complaint, is set forth in Appendix A, and has been reported at 209 U.S.P.Q. 951 (N.D. Tex. 1980).

The Court of Appeals decision, which reversed the District Court's denial of relief based on Trade Dress No. 1, but not as to three other trade dresses, Nos. 2, 3 and 4, is set forth in Appendix B, and is officially reported at 659 F.2d 695 (5th Cir. 1981).

JURISDICTION

The judgment of the United States Court of Appeals for the Fifth Circuit, sought to be reviewed herein, was entered on October 23, 1981.

The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

CONSTITUTIONAL PROVISION AND STATUTE INVOLVED

The constitutional provision involved is Article 1, Section 8, Clause 8 of the Constitution of the United States of America. The federal statutory provision involved is Section 43(a) of the Lanham Act, 15 U.S.C. §1125a.

Each of these provisions is set forth in full in Appendix C.

STATEMENT OF THE CASE

At issue in this petition is a decision by the Court of Appeals which precludes imitation of background colors of competitive packaging, and thereby grants to the first commercial user an exclusive, perpetual right to use preferred marketing colors for its packaging in a particular competitive market.

Such a decision grants an automatic monopoly on the appearance (trade dress) of a commercial product, and precludes others from using similar colors on their packaging to compete for consumer attention. The decision will have important consequences for the future course of competition in all commerce within the United States which is directed at consumers.

Chevron Chemical Company, a subsidiary of Standard Oil of California, instituted this action against Voluntary Purchasing Groups, Inc.[1] in 1976 alleging that a commercial package (Trade Dress No. 1) utilized by VPG constituted infringement of the "trade dress" of its ORTHO products under Section 43(a) of the Lanham Act (15 U.S.C. §1125a), and unfair competition under the laws of various states. Chevron subsequently charged

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[1] The parties to the proceeding before the United States Court of Appeals for the Fifth Circuit were Chevron Chemical Company and Voluntary Purchasing Groups, Inc. Hi-Yield Chemical Company is the name under which Defendant Voluntary Purchasing Groups (VPG) sells some of its products. [App. A at 2]. Voluntary Purchasing Groups has one majority owned subsidiary, Bonny Corporation of Bonham, Texas.

infringement by three other package designs of VPG, Trade Dress Nos. 2, 3 and 4. Jurisdiction was based on the Lanham Act jurisdiction, 15 U.S.C. § 1121, diversity of citizenship, 28 U.S.C. § 1332, and pendent jurisdiction, 28 U.S.C. § 1338(b).

Chevron is a dominating force in the national market for lawn and garden chemicals, while VPG is a small Texas company which competes with Chevron in the southwest.

The competitive packages involved here are illustrated in Appendix D. Appendix D-1 is a photograph of Chevron's ORTHO package on which it bases its claim to exclusive rights. Appendix D-2 illustrates VPG's HI-YIELD package used commercially *prior* to the first use of the ORTHO package. Appendix D-3 is VPG's HI-YIELD package first used after the ORTHO package, and has been referred to as Trade Dress No. 1 in previous opinions. Appendices D-4, D-5 and D-6 are HI-YIELD packages used by VPG after cessation of use of Trade Dress No. 1, and are referred to as Trade Dress Nos. 2, 3 and 4, respectively.

The case was tried by the District Court without a jury in March 1980. The District Court entered judgment in June, 1980, dismissing Chevron's Complaint, and entered its own "FINDINGS OF FACT AND CONCLUSIONS OF LAW" (Appendix A) which were not adopted from proposals of either party. The District Court found:

(a) the background colors of the ORTHO label (Appendix D-1) had not acquired a trademark or secondary meaning to consumers [App. A at 6];

(b) no actual consumer confusion between the ORTHO products and VPG's HI-YIELD products was proven [App. A at 6];

(c) the advertising evidence submitted by Chevron demonstrated that the trademark ORTHO, rather than the background colors of the package, had created consumer recognition [App. A at 4-5];

(d) numerous manufacturers of lawn and garden products package their products using the same red and yellow colors, and that the frequent use of red and yellow occurs because these are two of the three primary colors, they present a striking shelf appearance, and they provide a legible background for product name, trademark, and required government warnings and directions [App. A at 6];

(e) no likelihood of consumer confusion about the source of goods arose from VPG's use of its HI-YIELD packages [App. A at 6-7]; and

(f) "[t]here was no direct evidence Defendant adopted its new trade dress with an intent to defraud consumers. Indeed, there was no evidence, other than visual comparison, which might tend to prove that Defendant, in adopting HI-YIELD Trade Dress #1 (see infra) intended to copy the ORTHO label. However, the similarity of the two labels, particularly on the bottles, leads to the inference that more than coincidence was involved and that Defendant intended to copy Plaintiff's trade dress as much as the law would allow." [App. A at 3].

The District Court also concluded that Section 43(a) of the Lanham Act, 15 U.S.C. § 1125a, does not create a federal cause of action for trade dress infringement. [App. A at 9]. The District Court held, however, that even if Section 43(a) could support a cause of action for trade dress infringement, Chevron's case must fail for lack of proof because neither a secondary meaning nor a likelihood of confusion were proven. [App. A at 12].

Finally, the District Court dismissed Chevron's claims of unfair competition under state law due to there being no secondary meaning and no likelihood of confusion. [App. A at 13-15].

The case was then appealed by Chevron and decision was rendered by the Court of Appeals on October 23, 1981.

The Court of Appeals reversed the District Court's judgment only with regard to one of VPG's package designs (Trade Dress No. 1), and affirmed the judgment with regard to the other three package designs (Trade Dress Nos. 2, 3 and 4). [App. B at 18].

The Court of Appeals made new law that trade dress imitation could constitute a "false representation" under Section 43(a) of the Lanham Act [App. B at 8-12], and that secondary meaning of the Chevron label was not a necessary element of such a cause of action. [App. B at 12-14]. The Court of Appeals decided that "likelihood of confusion" was the sole legal test as to whether a false representation had been made. [App. B at 14].

The Court of Appeals then ignored the prominent display of VPG's twenty-five-year-old, federally registered trademark HI-YIELD, deemphasized the importance of four years of competition between Ortho and Hi-Yield without even one instance of actual confusion, and reversed the factual finding of no likelihood of confusion between Trade Dress No. 1 and the Chevron label. [App. B at 18].

The Court of Appeals then remanded the cause "for the entrance of an appropriate injunctive order. Such an order will prohibit VPG from using Trade Dress No. 1 or any other trade dress confusingly similar to Ortho's." [App. B at 18].

REASONS WHY CERTIORARI SHOULD BE GRANTED

I.

Certiorari should be granted to determine whether the new law announced by the Court of Appeals, which grants an entrenched competitor an exclusive, perpetual right to the marketing colors of his competitive packaging, is contrary to long-standing federal policy which encourages copying and imitation as a cornerstone of free competition.

The decision by the Court of Appeals has expanded the scope of Section 43(a) of the Lanham Act (15 U.S.C. § 1125a) to preclude imitation of packaging colors of goods already in a

market. The Court of Appeals, in effect, has granted to the first company in a market the exclusive *perpetual* right to its packaging colors, and all other competitors must keep their packaging colors sufficiently different to avoid even a *likelihood*[2] of consumer confusion.

The Court of Appeals then went further and expressly held that a competitor is entitled to this *perpetual*, exclusive right without proof that the colors indicate origin, i.e., have a trademark significance. Under this new law, every new entrant in a market will be exposed to litigation over whether his packaging colors will lead to a *likelihood* of confusion even though he puts his own name prominently on the package.

This new law is contrary to federal policy announced by this Court in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), *Coats* v. *Merrick Thread Co.*, 149 U.S. 562, 13 S. Ct. 966 (1893); and *Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111 (1938).

This new law is also contrary to decisions of other Courts of Appeal and is contrary to the whole theory behind trademark protection. How can there be a likelihood of confusion, for

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[2] Likelihood of confusion is a legal test provided under Section 32(1) of The Lanham Act (15 U.S.C. § 1114(1)) for *registered* marks which enjoy constructive notice to the public under the Act. Actual notice of registration must be given, however, to recover profits or damages. Section 29 (15 U.S.C. § 1111).

Such a vague legal test of a *likelihood* of confusion, as distinguished from proof of actual confusion, should not apply to unregistered rights. As the District Court below noticed, regardless of the standard being applied, actual confusion was shown in every Texas case cited in its opinion in which the plaintiff won. [App. A. at 14 n.*] Indeed, McClellan-Scott bills entitled the Unfair Competition Act of 1967, S. 1154, 90th Cong., 1st Sess., § 7 (1967), and the Unfair Competition Act of 1973, S. 1362, 93rd Cong., 1st Sess., § 7, (1973), tried to amend Section 43(a) to include a "likely to cause confusion" test, but these bills never passed.

example, if there is no trademark significance (secondary meaning) recognized by the public against which confusion can be measured?

Packaging colors are obviously an important marketing tool, just like the appearance of a product, and one should not be able to monopolize them to a competitor's disadvantage unless there is a salient reason to do so. Where no confusion or deception is shown after four years of head-to-head competition, and where both competitors have clearly marked their packages with their own federally registered and clearly dissimilar trademarks, competition based on the appearance of goods and their packaging should be encouraged by federal policy rather than precluded, as determined by the Court of Appeals in its new interpretation of Section 43(a).

This Court has expressly stated the federal policy that a party is entitled to copy a competitor's goods unless those goods are legally protected by an exclusive federal right such as a valid patent or copyright, although the Court recognized that in some situations precautions against deception may be necessary. *Sears* and *Compco.*[3]

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[3] It should be noted that *Sears* and *Compco* were both "trade dress" cases since both involved simulation of the appearance of competitive products. In *Sears*, a design patent on the ornamental shape of a lamp was held invalid, but the district court found unfair competition because the two lamps were so similar in appearance that confusion between them was likely, and that some confusion had already occurred. The Supreme Court, of course, reversed the finding of unfair competition based on the principles discussed above.

In this regard, a design patent is different from a regular patent concerning the utility of an article, and protects only aesthetic, nonfunctional features of the product. The basic requirements for a design patent are stated in 35 U.S.C. § 171 as being a "new, original and ornamental design for an article of manufacture."

In the present situation, we are again concerned with the appearance to consumers of competitive products, but we are now concerned with the appearance of the packaging backgrounds and

The Court stated in *Compco*:

> Today we have held in Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 84, S.Ct. 784, that when an article is unprotected by a patent or a copyright, state law may not forbid others to copy that article. To forbid copying would interfere with the federal policy, found in Art. I, § 8, Cl. 8, of the Constitution and in the implementing of federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain.

376 U.S. at 237.

The Court also stated that trademark significance attaching to features left in the public domain would not preclude imitation when reasonable precautions against deception were made:

> It is true that the trial court found that the configuration of Day-Brite's fixture identified Day-Brite to the trade because the arrangement of the ribbing had, like a trademark, acquired a "secondary meaning" by which that particular design was associated with Day-Brite. But if the design is not entitled to a design patent or other federal statutory protection, then it can be copied at will.
>
> As we have said in Sears, while the federal patent laws prevent a State from prohibiting the copying and selling of unpatented articles, they do not stand in the way of state law, statutory or decisional, which requires those who make and sell copies to take precautions to identify their products as their own.

376 U.S. at 238.

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colors — labels similarly covered by the Copyright Statute in effect at the time Chevron published its label. 17 U.S.C. § 5(k)(1976).

The legal principles, however, remain the same, particularly when one considers that the present case involves selling unattractive chemicals in both solid and liquid form, and that the packaging colors and designs, like industrial articles themselves, are important tools in competing for customers.

Federal policy allowing imitation of packaging and labels was actually established long before the *Sears* and *Compco* decisions. In 1893, the Court considered whether a black and gold label of concentric rings provided basis for exclusive rights in one competitor, and held that it did not. *Coats* v. *Merrick Thread Co., supra.* The Court stated:

> Rival manufacturers may lawfully compete for the patronage of the public in the quality and price of their goods, in the beauty and tastefulness of their inclosing packages, in the extent of their advertising, and in the employment of agents, but they have no right, by imitative devices, to beguile the public into buying their wares under the impression they are buying those of their rivals.

149 U.S. at ___, 13 S. Ct. at 967. The Court continued:

> There is no doubt a general resemblance between the heads of all spools containing a black and gold label which might induce a careless purchaser to accept one for the other. Defendants, however, were not bound to any such degree of care as would prevent this. Having, as we have already held, the right to use the black and gold label, and the periphery embossed with the number of the thread, they were only bound to take such care as the use of such devices, and the limited space in which they were used, would allow. In short, they could do little more than place their own name conspicuously upon the label; to rearrange the number by placing it in the border, instead of the center of the label; and to omit the loops of the plaintiffs' periphery, and substitute their own star, between the numerals. Having done this, we think they are relieved from further responsibility.

149 U.S. at ___, 13 S. Ct. at 970.

This same policy was followed by the Court in 1938 where the Court highlighted the effect of placing one's trademark on a simulated package background:

> The question remains whether Kellogg Company in exercising its right to use the name "Shredded Wheat" and the pillow-shaped biscuit, is doing so fairly. Fairness requires

> that it be done in a manner which reasonably distinguishes its product from that of plaintiff.
>
> . . . The Kellogg cartons bear in bold script the names "Kellogg's Whole Wheat Biscuit" or "Kellogg's Shredded Whole Wheat Biscuit" so sized and spaced as to strike the eye as being a Kellogg product. It is true that on some of its cartons it had a picture of two shredded wheat biscuits in a bowl of milk which was quite similar to one of the plaintiff's registered trade-marks. But the name Kellogg was so prominent on all of the defendant's cartons as to minimize the possibility of confusion.

Kellogg Co. v. *National Biscuit Co.*, 305 U.S. 111, 120-21 (1938). *Accord, American Rolex Watch Corp.* v. *Ricoh Time Corp.*, 491 F.2d 877, 879 (2d Cir. 1974) and *Bose Corp.* v. *Linear Design Labs, Inc.*, 467 F.2d 304, 310 (2d Cir. 1972).

VPG took the very precautionary measures found suitable by the Court in *Kellogg, Coats, Sears,* and *Compco.* During the short period in 1976 in which VPG used the three banded red, yellow and white label, VPG was doing nothing more than exercising its right to use the background colors of the competitive products while taking suitable steps to identify its products as its own. Since no actual confusion was found in over four years of head-to-head competition, VPG's precautionary measures were obviously effective.

Yet the Court of Appeals overlooked this long-standing policy of imitation and free competition, for it did not mention it at all, and overlooked the precautionary measures taken. The Court of Appeals simply interpreted Section 43(a) expansively to preclude imitation of competitive packaging — in spite of the prominent display of dissimilar trademarks and no actual confusion.

The decision of the Court of Appeals also flies in the face of a long series of historical decisions which explicitly state that color can be neither trademarked nor monopolized.[4] *A. Leschen & Sons Rope Co.* v. *Broderick & Bascom Rope Co.*, 201 U.S. 166, 171 (1906); *Fram Corp.* v. *Boyd*, 230 F.2d 931, 934 (5th Cir. 1956); *Life Savers Corp.* v. *Curtis Candy Co.*, 182 F.2d 4, 9 (7th Cir. 1950); *Campbell Soup Co.* v. *Armour Co.*, 175 F.2d 795, 798-99 (3d Cir. 1948), *cert. denied*, 338 U.S. 847 (1949); *Norwich Pharmacal Co.* v. *Sterling Drug Inc.*, 271 F.2d 569 (2d Cir. 1959), *cert. denied*, 362 U.S. 919 (1960); *Newcomer & Lewis* v. *Scriven Co.*, 168 F. 621, 623 (6th Cir. 1909).

The departure below from long-standing federal policy on free competition and trademark theory will impede competition, and will lead to increased litigation over the design of competitive packaging. A writ of certiorari, therefore, should issue.

II.

Certiorari Should Be Granted To Determine The Proper Scope And Meaning Of Section 43(a) And To Settle Conflicts Within The Circuits.

Section 43(a) of the Lanham Act has become a hotbed of litigation.[5] Since the time *Sears* and *Compco* preempted state

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[4] The District Court found that Chevron "is trying to obtain an exclusive right to use the colors red and yellow for lawn and garden products." [App. A at 12]. Chevron maintained in the Court of Appeals, however, that it is not trying to monopolize red and yellow. On remand, Chevron has changed its tune and has already asked the District Court for an injunction against "any trade dress combining the colors red and yellow." Plaintiff's Motion for Issuance of a Permanent Injunction, filed December 16, 1981.

[5] *Shepard's Citations* reflects that during 1981 alone, sixty-eight *reported* decisions contained citations to Section 43(a), almost as many as in the first 20 years of the section. Additionally, since 1968, Section 43(a) has been cited in approximately four times as many reported decisions as in the first 20 years of the section. SHEPARD'S UNITED STATES CITATIONS: STATUTES 550 (6th ed. 1968), 155-56 (6th ed. Supp. 1968-1974), 189 (6th ed. Supp. 1974-1979), 104 (6th ed. Supp. Jan. 1981), 79 (6th ed. Supp. Nov. 1981), 15 (6th ed.

law from precluding imitation of the appearance of goods, established companies have searched for a new way to obtain exclusive rights and preclude copying by competitors. See, for example, *Inwood Laboratories, Inc. et al* v. *Ives Laboratories, Inc.*, 638 F.2d 538 (2d Cir.), *cert. granted*, 102 S.Ct. 386 (1981) (No. 80-2182, No. 81-11, October Term 1981), a case in which an established drug company wants a monopoly on the colors of its drug capsules.

The new way most used by such companies was Section 43(a) of the Lanham Act — a theretofore virtually dormant federal statute passed in 1946. In 1965 one commentator noted:

> [S]o few cases have been brought under this section since its enactment that ... it cannot be foreseen that any increased utilization of this section ... will be of substantial benefit in helping to establish a federal law of unfair competition in the absence of amending legislation.

Peterson, *The Legislative Mandate of Sears and Compco: A Plea for a Federal Law of Unfair Competition*, 69 Dick. L. Rev. 347, 371 (1965).

The courts, however, have since proved Mr. Peterson wrong even though, as the Court of Appeals below recognized, Section 43(a) was not enacted originally to provide a basis for protection of unregistered trademarks or trade dress.

The Court of Appeals recognized this anomaly when it said:

> In sum, the essential misrepresentation in "false advertising," which we have noted forms the basis of the "false representation" leg of §43(a), is fundamentally different from the essential misrepresentation in "unfair competition": in the former case, the defendant makes no secret of the origin of the goods in himself, but merely misrepresents certain qualities or characteristics that his goods may or

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Supp. Dec. 1981). Of those early decisions, many do not address the merits of Section 43(a), but merely cite it as an ancillary basis for jurisdiction without substantive discussion.

> may not have; in the latter case, the defendant misrepresents his goods to be those of another. As commentators have noted, it would have been anomalous for Congress to enact an entire statute, 45 sections in length, to define and protect trademarks by federal law and then in a passing reference to enact as federal the entire common law of unregistered marks and unfair competition. *See, e.g.*, Derenberg, *The Twenty-Fifth Year of Administration of the Lanham Trademark Act of 1946*, 62 Trade-Mark Rep. 393, 497 (1972); *Germain, supra*, 49 Ind.L.J. at 111.

[App. B at 11].

Indeed, Section II of the opinion below, [App. B at 8-12], is a positive recognition by the Court of Appeals that the decision was stretching Section 43(a) past its intended scope of covering false advertising. The passage reads like an implicit invitation to this Court to review this issue.

The need for a resolution of the proper scope of Section 43(a) and the standards of liability is emphasized more fully by the conflicts in the interpretation of the statute which exist among the various courts of appeal.

One such conflict exists between the Fifth and Ninth Circuits. In *Boston Professional Hockey Ass'n, Inc.* v. *Dallas Corp. & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975), the Court of Appeals expanded Section 43(a) to cover identical unregistered trademarks (hockey team emblems) which were being sold unattached to any goods and services. Because of the uniqueness of the facts, the court restricted itself conceptually to only that situation involving the sale of identical emblems sold for use by the public "to show public allegiance to or identification with the teams themselves." 510 F.2d at 1011. The court focused on the intent of the defendant "that the public recognize and purchase the emblems as the symbol of the Toronto team" and the "*certain* knowledge" of the public to hold that his use of them falsely represented the

emblems made by him in commerce. 510 F.2d at 1012 (emphasis added).

The Court of Appeals for the Ninth Circuit, however, rejected the expansive reading of Section 43(a) under *Boston Hockey*:

> Indeed, the court in *Boston Hockey* admitted that its decision "may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs." 510 F.2d at 1011. We think that this tilt was not slight but an extraordinary extension of the protection heretofore afforded trademark owners. It is an extension we cannot endorse.

International Order of Job's Daughters v. *Lindeburg & Co.*, 633 F.2d 912, 919 (9th Cir. 1980), *cert. denied*, ___ U.S. ___ (1981).

The rationale of *Boston Hockey*, of course, is the basis the Court of Appeals below used to expand Section 43(a) even further and provide a federal cause of action for trade dress infringement. [App. B at 11-12].

Conflict in interpretation also exists between the Second and Fifth Circuits. In *Vibrant Sales, Inc.* v. *New Body Boutique, Inc.*, 652 F.2d 299 (2d Cir. 1981), the Court of Appeals for the Second Circuit fit trade dress infringement under the "false designation of origin" language of Section 43(a). The court below rejected this reasoning and fit it into the "false representation" language. [App. B at 8-9].

The courts of appeals also conflict directly on the issue of whether a secondary meaning must be shown under Section 43(a). The Court of Appeals for the Second Circuit discussed at length in *Vibrant Sales* the importance of proving secondary meaning to preclude Section 43(a) from acquiring a preemptory position with regard to the rest of the Lanham Act:

> The requirement of proof of secondary meaning flows logically from § 43(a)'s somewhat anomalous position in the Lanham Act. As the only provision in the Act which is

not limited to registered marks, 43(a) may be invoked by claimants whose unregistered marks do not possess the presumptive source association of a registered trademark. . . . As a result, a claimant suing under 43(a) is routinely required to show secondary meaning in order to convince the court that the defendant's copying has had the effect of communicating a *"false* designation of origin". As one observer has written:

> "Unless the public has come to know a particular mark as indicating a particular source of origin, a finding of the requisite falsity would be anomalous since there would be no standard against which to measure such falsity." Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby—Too Far, Maybe?*, 49 Ind.L.J. 84, 103 (1973).

* * *

The district court, apparently laboring in the belief that evidence of mere confusion was sufficient to justify invoking § 43(a) to support a claim of false designation of origin with respect to a product having no registered mark, overlooked or ignored the requirements of secondary meaning and nonfunctionality. Such a reading is incorrect and would confuse § 43(a) with § 32 of the same Act. 15 U.S.C. § 1114. The latter section, which provides the basic remedy for one whose registered mark has been copied, explicitly allows recovery based on copying which "is likely to cause confusion." By contrast, § 43(a) at not [sic] point employs the language "likely to cause confusion", and the relevant case law does not incorporate that test by analogy. See, e. g., *Universal City Studios, Inc.* v. *Sony Corp.*, 429 F.Supp. 407, 409 (C.D.Cal.1977) (false representation context). The reason for the difference in treatment is clear: registered marks are presumed to represent the source in the minds of the public, whereas unregistered marks are not, absent a showing of secondary meaning.

659 F.2d at 303-04.

The Court of Appeals below, however, rejected this reasoning while recognizing that its decision conflicted with other Courts of Appeals:

> Some circuit courts, like the district court, have required secondary meaning. See, e.g., *Vibrant Sales, Inc.* v. *New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir. 1981); *Keebler Co., supra*, 624 F.2d at 378. We do not agree, however that secondary meaning must be shown in every trade dress infringement suit.

[App. B at 12].

The decision of the Court of Appeals below regarding secondary meaning also conflicts with the long-established fundamentals of trademark infringement and unfair competition. As the Court of Appeals for the Sixth Circuit explained long ago:

> The plaintiff filed its bill in the court below, based upon the theory of unfair competition; but it is not denied that defendant had, inherently and originally, the same right plaintiff had to select from the common stock this particular size, shape, and color. The opinions of this court, within recent years, have discussed many aspects, if not all, that arise in unfair competition. It would be useless to repeat what has been there said, or to refer again to the decisions of the Supreme Court and other courts there cited. They affirm or lead to the conclusions that plaintiff can have relief only against an attempt to palm off on the purchasing public the goods of defendant as the goods of plaintiff; that where the imitation relates only to matters as to which the defendant has, prima facie, a right equal to plaintiff, there must have been a public acquiescence in plaintiff's appropriation of these things for his product — a public sanction of the taking — sufficient to have created that secondary meaning whereby they have become, to the public, indicia of origin; and that while, when the plaintiff has selected as his means of identification words or marks that are arbitrary, and hence proper trade-marks, his title is at least initiated by the appropriation, yet as to those means of identification, which are descriptive, or which, for any reason, are known and open to all, there is no basis, in

> principle or in authority, for the creating of a title or quasi exclusive right in plaintiff, except the theory that there has been this public sanction of plaintiff's appropriation, by acquiescence which has continued long enough and under circumstances suitable to raise a presumption that the public concedes the right and to make it inequitable thereafter to dispute it.

Upjohn Co. v. *S. Merrell Chemical Co.*, 269 F. 209, 210-11 (6th Cir. 1920), *cert. denied*, 257 U.S. 638 (1921). These fundamentals, of course, must be even further tempered by the mandate of this Court in *Kellogg*, *Sears*, and *Compco* that effective precautionary measures such as the prominent display of one's name precludes unfair competition.

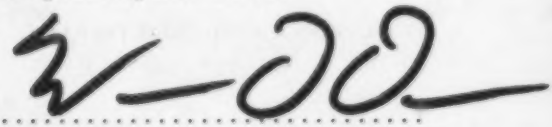
The current state of Section 43(a) is confusing and in conflict. It is the source of extensive litigation within the federal courts.

A writ of certiorari, therefore, should issue for the Court to make a definitive statement of policy on the proper scope and interpretation of Section 43(a) in view of federal principles of free competition.

CONCLUSION

Petitioner requests respectfully that a writ of certiorari issue to review the judgment of the Court of Appeals for the Fifth Circuit.

Respectfully submitted,



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Appendix

APPENDIX A

IN THE

United States District Court

FOR THE NORTHERN DISTRICT OF TEXAS
Dallas Division

CHEVRON CHEMICAL COMPANY,
a Delaware Corporation
Plaintiff,

v.

VOLUNTARY PURCHASING GROUPS, INC.,
a Texas Corporation, and HI-YIELD
CHEMICAL COMPANY
Defendants.

Civil Action
No. 3-76-1374-H

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This is a suit for trade dress infringement based on a state cause of action for unfair competition and a federal cause of action under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1970). Plaintiff seeks a permanent injunction and an accounting. The case was bifurcated and tried before the Court only on the issue of liability.

FINDINGS OF FACT

Plaintiff Chevron Chemical Company has a division, hereinafter called "Ortho," which sells lawn and garden products — pesticides, weed killers, plant growth stimulants, etc. As a result of a management decision to package and sell its products in a uniform family trade dress, Ortho, with few exceptions, has since 1949 packaged its products in a trade dress featuring red and yellow.

In 1971 Ortho adopted the trade dress which is the subject of this suit. This trade dress, which the Court refers to as Ortho's dress, viewed from the front consists of three horizontal bands of color: the top band is white and is the top 20% of the label; the middle band is yellow and fills the next 30% of the label; and the bottom red band is one-half of the label. Ortho's registered trademark is the word "ORTHO" in bold black letters with the distinctive registered chevron mark of Chevron Chemical Company next to it. These appear in the top white band. The yellow middle band contains the name of the particular product, *e.g.*, Malathion 50 Insect Spray. The red band contains the required warnings, general information about the product and its ingredients, and a picture of the uses of the product — for example, the pest such as a worm or an ant that a pesticide will eradicate; some of the print in this red section is in white letters and some in black. The back of the trade dress is white and yellow; the top band is white and is the same width as the top white band on the front, and the rest of the back is yellow. On the back are printed the contents and directions for use. The Ortho products sold in glass bottles are in dark brown bottles with a yellow cap. Some Ortho products are sold in sacks. These Ortho sacks are red on the bottom and the sides, prominently display "ORTHO" from all views, and the sides have the same color scheme as the front, *i.e.*, white, yellow, and red bands. The sacks are not always displayed on the retailer's shelf with the front facing the consumers; often the sacks are stacked on the back or on the side, so as to display the red bottom to the consumer.

Hi-Yield Chemical Company is the name under which Defendant Voluntary Purchasing Groups ("VPG") sells some of its products. (In these findings and conclusions "Defendant" means VPG and Hi-Yield.) For many years prior to 1975 Hi-Yield sold agricultural products, like livestock supplemental feed, cattle spray, and crop dust, some of which were sold in a red and yellow trade dress. VPG had also sold lawn and garden

products, but not under the "Hi-Yield" trademark and not in a red and yellow trade dress. In 1974 VPG decided to begin selling a "Hi-Yield" line of lawn and garden products.

At the time Defendant was creating its trade dress for these new "Hi-Yield" products Defendant was aware of the dominance of Ortho in this market, and also aware of Ortho's red and yellow trade dress. Defendant consulted its attorney for advice so that its new trade dress would not too closely resemble Ortho's trade dress. There was no direct evidence Defendant adopted its new trade dress with an intent to defraud consumers. Indeed, there was no evidence, other than visual comparison, which might tend to prove that Defendant, in adopting Hi-Yield Trade Dress #1 (see *infra*) intended to copy the Ortho label. However, the similarity of the two labels, particularly on the bottles, leads to the inference that more than coincidence was involved and that Defendant intended to copy Plaintiff's trade dress as much as the law would allow.

Defendant in early 1976 adopted a trade dress for Hi-Yield lawn and garden products, which the Court refers to as Trade Dress #1, and which is shown on various products in Plaintiff's Exhibits 24(a)-(e). This trade dress was on the retail shelf by March 1976. On the front of Trade Dress #1 are horizontal bands of color — white, yellow and red — in substantially the same proportion and shades as on Ortho's dress. The white band is also where Defendant placed its trademark, "Hi-Yield," which is written in red capital and small letters. This is the same trademark Defendant has used since the 1950's on its agricultural products. The yellow band, like Ortho's, contains the product name, and the red band contains some warnings and descriptions of the product. The red band, unlike Ortho's, does not have a picture of any kind and contains only black type. The back of Trade Dress #1 is solid white and contains the contents and directions for use. When Defendant's products are sold in a

bottle, it is a dark brown bottle of the same shape and substantially the same size as Plaintiff's, but the color of the cap is white. Defendant's sacks in Trade Dress #1 have a white bottom, white sides (on which are printed directions in black but no trademark) and a white back. When Trade Dress #1 is shelved on the side or back, the white bottom shows to the consumer.

After Ortho protested Hi-Yield's use of Trade Dress #1, Defendant revised its trade dress and destroyed the unused labels. Trade Dress #2 (see the example in Defendant's Exhibit E-6) very closely resembles the packaging Defendant used for many years for its Hi-Yield agricultural products. (See Defendant's Exhibits DX 13, 14). VPG began using Trade Dress #2 about August 1976. Trade Dress #2 also features bands of red, yellow and white, but in a five band combination: white, red, yellow (the largest band), red, white. The trademark "Hi-Yield" and the product name (in black) loom large on the yellow band. Shortly after August 1976 Defendant on its own initiative made another revision, Trade Dress #3. (Defendant's Exhibits F-20, F-24). Trade Dress #3 uses only two colors — red and yellow — in a three band arrangement: red, yellow, red. Again the bold red "Hi-Yield" trademark and black product name appear in the middle yellow (and largest) band. The final revision, Trade Dress #4 (Defendant's Exhibit G-4), was adopted some 12-15 months after Trade Dress #3 and is still used. Trade Dress #4 also uses red and yellow, but in only two bands. The top two-thirds of the package is yellow (containing the "Hi-Yield" mark in red and the product name) and the bottom is red.

In all of its printed advertising Ortho has always displayed the "ORTHO" trademark. In 1971-1975 Ortho spent substantial sums on advertising. Most of this advertising could not have created consumer recognition of Ortho's trade dress. Radio advertising obviously is not visual, and almost all of the newspaper ads were in black and white. Movies for consumers have limited distribution and were aimed at creating consumer

demand for the products by informing them of the uses for Ortho's products. Television advertising was not shown to have emphasized the trade dress and create consumer recognition of it, nor was it significant relative to the other forms of advertising. Indeed, only the amount spent on color magazine advertising could have affected the level of consumer recognition for Ortho's trade dress. The Court finds that the advertising evidence, which Plaintiff submitted to prove secondary meaning, in fact demonstrated that Ortho's trademark ("Ortho"), rather than Ortho's trade dress, has created consumer recognition of its products.

Ortho is the leading seller of products for the lawn and garden, and has been for many years. Hi-Yield as a seller of lawn and garden products is in direct competition with Ortho. Lawn and garden products are primarily sold in retail outlets such as nurseries, hardware stores and discount stores. These products are purchased off the shelf by the consumer. Because these products are frequently toxic, and because the consumer must read the label to see if a specific product is what he or she needs, the consumers of lawn and garden products can be expected to exercise a higher degree of care in selecting lawn and garden products than they would for the average shelf item. A consumer of lawn and garden products could initially confuse Ortho and Hi-Yield Trade Dress #1 (particularly the bottled products) by their apparent similarity when lined up on a shelf. However, any confusion would be dispelled upon a closer examination and comparison, which examination tends to occur for these products. A consumer exercising reasonable care and observation would not mistake Hi-Yield for Ortho and would not buy Hi-Yield when he or she intended to buy Ortho.

Ortho and Hi-Yield are often placed next to or near each other on the shelf. This occurs because they are competing products and is not due to any prompting by Hi-Yield. There have been instances where Hi-Yield and Ortho packages were

mixed together on shelves, but the Court had no evidence to show that this mixing was other than inadvertent. (See Plaintiff Exhibit 18, a collection of photographs of retail shelves showing Hi-Yield and Ortho products).

Agricultural products, such as cattle spray or large quantities of crop dust or cattle spray, are sold in a separate chain of distribution from lawn and garden supplies. Hi-Yield conforms to the industry practice of maintaining separate divisions for its agricultural and lawn and garden products. Agricultural products are infrequently sold in the same type of retail outlets as lawn and garden products.

Ortho offered no proof of actual consumer confusion between Ortho and Hi-Yield. The only actual confusion testimony came from Ortho salesmen, who said at first glance they thought Hi-Yield displays were theirs. Even these witnesses testified this was only a momentary confusion. Considering their bias towards Ortho, their testimony is not helpful.

Ortho has failed to prove that its trade dress has secondary meaning. There is no evidence that consumers identify the Ortho trade dress with the source of the product. There is no evidence that consumers recognize the Ortho trade dress as distinctive or that the trade dress says "Ortho" to them.

Numerous third parties use red and yellow to package their lawn and garden products. (See Defendant's Exhibit K showing 23 such products). The frequent use of red and yellow in the lawn and garden market occurs because these are two of the three primary colors, they present a striking shelf appearance, and they provide a legible background for the product name, trademark, and required government warnings and directions.

There is no likelihood of consumer confusion about the source arising from Defendant's use of Trade Dresses ##2, 3 and 4. The overall appearance of Defendant's Trade Dresses ##2, 3 and 4 to the ordinary consumer, even to an inattentive person not

exercising reasonable care, would not be confusing when compared to Ortho's trade dress. Indeed, the only similarity is the common use of red and yellow in horizontal bands. The arrangement and width of the bands, the size and prominence of Defendant's "Hi-Yield" trademark, and the location of the mark and product name, render these trade dresses not confusingly similar, and even dissimilar.

There is no likelihood of consumer confusion about the source of goods arising from Defendant's use of Trade Dress #1. These are the factors or "digits" that tend to support likelihood of confusion as to Trade Dress #1: similarity of the front of the packages, including the use of white, yellow, and red bands on the front in substantially the same proportion; the location of the two trademarks; the products being in competition with each other; the inference of intentional copying. On the other hand, the following factors or "digits" diminish the likelihood of confusion: Defendant's consistent display of its "Hi-Yield" trademark on the front; the higher than average degree of care used by consumers in purchasing these products; the frequent use by third parties of red and yellow for lawn and garden products; the absence of any evidence of actual consumer confusion after four years of competition; the differences in colors on the packages except for the front; the difference in printing (color, size, quantity) on the Ortho and Hi-Yield red and yellow bands; the absence of evidence that Defendant intended to pass off its goods to be Ortho's goods. In sum, the factors against likelihood of confusion substantially outweigh the factors tending to show such likelihood.

CONCLUSIONS OF LAW

Preemption

The state cause of action for unfair competition is not preempted by the *Sears-Compco* doctrine. *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), in spite of the fact

that Ortho's label might have been copyrightable under the federal copyright laws. 17 U.S.C.A. § 5(k) (Supp. 1980) (Repealed 1978); *see generally* Pattishall, *Protection of Labels Through Copyright Infringement and Unfair Competition*, 56 Trademark Reptr. 408 (1966).

Defendant argues that *Sears-Compco* established the general rule that a person has a right to copy whatever federal patent and copyright laws leave in the public domain. Defendant urges this Court to hold that if a work is of a type enumerated in the Copyright Act, *e.g.*, "label," then it can receive no protection except under the federal copyright laws, thus preempting the state unfair competition claim. *Accord Nimmer on Copyright* § 1.2 at 6.1 (1976). Defendant's position is supported by broad language in *Sears* and *Compco*, 376 U.S. at 225, 237-38, and by several cases which have followed *Sears-Compco*, and their progency. *Goldstein* v. *California*, 412 U.S. 546 (1973); *Jacobs* v. *Robitaille*, 406 F. Supp. 1145 (D. N.H. 1976); *Triangle Publications, Inc.* v. *Sports Eye, Inc.*, 415 F. Supp. 682 (E.D. Pa. 1976); *H. W. Wilson Co.* v. *National Library Service Co.*, 402 F. Supp. 456 (S.D. N.Y. 1975); *G. P. Putnam's Sons* v. *Lancer Books, Inc.*, 239 F. Supp. 782 (S.D. N.Y. 1965).

None of these preemption cases resolved the question before this Court, which is whether state unfair competition law protecting trade dress is preempted simply because the trade dress is a label which could have been copyrighted. For trade dress cases the greater weight of authority is against preemption, although these cases also do not specifically address Defendant's contention that the label could have been copyrighted. *E.g.*, *Loctite Corp.* v. *B. Jadow and Sons, Inc.*, 177 U.S.P.Q. 410 (S.D. N.Y. 1973); *Dave Grossman Designs, Inc.* v. *Bortin*, 347 F. Supp. 1150 (N.D. Ill. 1972); *Clairol, Inc.* v. *Andrea Dumon, Inc.*, 14 Ill. App. 3d 641, 303 N.E.2d 177 (1973), *cert. denied*, 419 U.S. 873 (1974); *Pat Needs, Inc.* v. *T.F.H. Publications, Inc.*, 156 U.S.P.Q. 479 (N.Y. Sup. Ct. 1967). The result of these cases is

supported by dicta from *Sears*, 376 U.S. at 232 ("... a State may protect businesses in the use of their ... labels, or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods), and by the lack of conflict between the policies underlying copyright law and the policies of trademark-trade dress protection.

The purpose of the copyright laws, like the patent laws, is to encourage the arts and sciences by providing the author a limited monopoly in exchange for the release of the work to the public. *See generally Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470 (1974); *Synercom Technology, Inc.* v. *University Computing Co.*, 474 F. Supp. 37 (N.D. Tex. 1979). Although trademark and trade dress laws also operate to give the originator a property right in the mark or dress, the overriding purpose of the protection is to provide consumers an easy way to identify the source of the goods; the courts operate primarily to prevent consumer confusion. Even without copyright protection Ortho has a mercantile incentive to release its trade dress into the public domain, and thus promote the purposes of the copyright laws, because it wants consumers to use this uniform family trade dress to identify its products, which in turn increases its sales.

Section 43(a) Lanham Act

Plaintiff's cause of action under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), fails because this statute does not create a federal cause of action for trade dress infringement.

Section 43(a), 15 U.S.C. § 1125(a) states in part:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce ... shall be liable to a civil action ... by any person

> who believes that he is or is likely to be damaged by the use of any such false description or representation.

Plaintiff argues that a §43(a) cause of action only requires proof of the same elements as an unfair competition claim — secondary meaning and likelihood of confusion. Plaintiff argues that Defendant's use of the Hi-Yield label constitutes "a false designation of origin, or [a] false description or representation" because its similarity to Plaintiff's label falsely suggests to the consumer that the source of Defendant's goods is Ortho.

Plaintiff's interpretation of §43(a) is not accepted by the Fifth Circuit. This circuit has rejected the view that the Lanham Act covers all claims of unfair competition, *American Heritage Life Insurance Co.* v. *Heritage Life Insurance Co.*, 494 F.2d 3, 14 (5th Cir. 1974), and has characterized §43(a) as a "partial federal law of unfair competition." *Soweco, Inc.* v. *Shell Oil Co.*, ... F.2d ..., ... (5 Cir. May 30, 1980), (quoting *Maternally Yours, Inc.* v. *Your Maternity Shop, Inc.*, 234 F.2d 538, 547 (2nd Cir. 1956) (Clark, J., concurring)). Section 43(a) creates a federal cause of action for false representation of goods in commerce. *American Heritage Life Insurance Co.* v. *Heritage Life Insurance Co.*, 494 F.2d at 14. *Alum-A-Fold Shutter Corp.* v. *Folding Shutter Corp.*, 441 F.2d 556, 557 (5th Cir. 1971). A §43(a) claim exists when defendant "by word or deed, falsely represented his commodity." *Norman M. Morris Corp.* v. *Weinstein*, 446 F.2d 137, 141 (5th Cir. 1972). The court in *Alum-A-Fold Shutter Corp.* v. *Folding Shutter Corp.*, 441 F.2d at 557, adopted the Third Circuit interpretation of §43(a) stated in *L'Aiglon Apparel* v. *Lana Lobell, Inc.*, 214 F.2d 649, 651 (1954):

> This statutory tort is defined in language which differentiates it in some particulars from similar wrongs which have developed and have become defined in the judge made law of unfair competition. Perhaps this statutory tort bears closest resemblance to the already noted tort of false advertising to the detriment of a competitor, as formulated by the

American Law Institute out of materials of the evolving common law of unfair competition. See Torts Restatement, Section 761, supra.

Other controlling precedents suggest §43(a) applies to cases where defendant has made false statements in its advertising or made false descriptions to consumers about the product in the course of sales efforts. *American Heritage Life Insurance Co.* v. *Heritage Life Insurance Co.*, 494 F.2d at 14; *Norman M. Morris Corp.* v. *Weinstein*, 466 F.2d at 142. Thus, some section 43(a) violations resemble the common law tort of "palming off" or "passing off" a product as coming from another producer, although passing off is not required under § 43(a). *Soweco, Inc.* v. *Shell Oil Co.*, ... F.2d ..., ... (5th Cir. May 30, 1980).

Merely using a confusingly similar trade dress does not constitute a false designation of origin or a false description or representation under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). *Accord Bogene, Inc.* v. *Whit-Mor Manufacturing Co.*, 253 F. Supp. 126 (S.D. N.Y. 1966). In order to violate § 43(a) a defendant must either (1) make false representations or false descriptions in written or oral advertising or in the course of selling the goods, or (2) affix on the goods words or symbols which falsely describe or represent the goods; *and* such false representation of false description must be likely to cause confusion about the origin or type of the goods. *See Amstar Corp.* v. *Domino's Pizza, Inc.*, 615 F.2d 252, 258, 265 (5th Cir. 1980).

The result in *Boston Professional Hockey Association* v. *Dallas Cap & Emblem Manufacturing, Inc.*, 510 F.2d 1004 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975), is not contrary to this interpretation of § 43(a). In that case defendant had duplicated a Canadian hockey team's symbol and sold it as a patch for use on clothing. The hockey team's symbol was obviously within the literal ambit of § 43(a) ("words or other symbols"), and was also an unregistered common-law trademark. The case simply

brings a common-law trademark infringement claim under the umbrella protection of § 43(a).

Plaintiff claims trade dress is a common-law trademark, and can thus receive § 43(a) protection under the holding in *Boston Professional Hockey*. The Court rejects the notion that this particular trade dress can receive common-law trademark protection. Plaintiff is trying to obtain an exclusive right to use the colors red and yellow for lawn and garden products. A combination of colors *per se* is not subject to trademark protection. *Fram Corp.* v. *Boyd*, 230 F.2d 931 (5th Cir. 1956); *Campbell Soup* v. *Armour & Co.*, 175 F.2d 795 (3d Cir. 1949). A person cannot be granted an exclusive right to use particular colors in its trade dress because "obviously the list of colors would soon run out." *Life Savers Corp.* v. *Curtis Candy Co.*, 182 F.2d 4, 9 (7th Cir. 1950).

Even if trade dress infringement could constitute a violation of § 43(a), this case would not present an appropriate case for relief. In order to prove Hi-Yield's trade dress falsely designates "Ortho" as the producer, Plaintiff would have to show that its own trade dress designates the origin as "Ortho" such that anyone else's use of a similar label would cause the consumer to think Ortho was the source of the goods. In other words, Plaintiff would need to show secondary meaning, which has not been demonstrated in this case. Also, Plaintiff's case on likelihood of confusion is not strong. Plaintiff presented no evidence of actual confusion, and "although evidence of actual confusion is not necessary to a finding of likelihood of confusion, it is nevertheless the best evidence of likelihood of confusion. *Roto Rooter Corp.* v. *O'Neal*, 513 F.2d 44, 46 (5th Cir. 1975)." *Amstar Corp.* v. *Domino's Pizza, Inc.*, 615 F.2d 252 (5th Cir. 1980). In addition, the higher degree of care exercised by consumers of lawn and garden products reduces the likelihood of confusion. *See American Chicle Co.* v. *Topps Chewing Gum, Inc.*, 208 F.2d 560, 563 (2d Cir. 1953).

Unfair Competition

Plaintiff loses on its unfair competition claim because it has failed to prove secondary meaning and likelihood of confusion under applicable Texas law.

Because unfair competition is a common-law tort, state law governs the cause of action, even though the acts complained of may be committed in various states. *El Chico, Inc.* v. *El Chico Cafe,* 214 F.2d 721 (5th Cir. 1954); *Oliver Gintel, Inc.* v. *Koslow's, Inc.,* 355 F. Supp. 236 (N.D. Tex. 1973). This Court must apply the choice of law rules of the forum state, Texas. For torts Texas has adopted the Restatement rule that the controlling substantive law is the law of the state with the most significant relationship to the occurrence and the parties. *Gutierrez* v. *Collins,* 583 S.W.2d 312 (Tex. 1979). In an unfair competition case the principal place of defendant's conduct should be given the greatest weight. *Data Cash Systems, Inc.* v. *JS & A Group, Inc.,* 480 F. Supp. 1063 (N.D. Ill. 1979) (citing Restatement (Second) of Conflict of laws § 145, comment f (1971)). Since Texas is the site of Defendant's business and where the allegedly infringing trade dress was conceived and adopted, Texas is the state with the most significant relationship.

Under Texas law, in a suit for unfair competition to enjoin the use of a similar trademark or trade dress, plaintiff must prove two elements: secondary meaning and likelihood of confusion. *Miller* v. *Lone Star Tavern, Inc.,* 593 S.W.2d 341, 344 (Tex. Civ. App. — Waco 1979, no writ).

Secondary meaning exists if the trademark or trade dress identifies the product in the mind of the public as that of a particular producer. *Hanover Manufacturing Co.* v. *Ed Hanover Trailers, Inc.,* 434 S.W.2d 109, 111 (Tex. 1968). The test of secondary meaning is the effectiveness of the effort to create it, not simply the effort itself. Extensive third party use of part of the trademark plaintiff seeks to protect can preclude a finding of

secondary meaning. *See Douglas* v. *Taylor,* 497 S.W.2d 308, 310 (Tex. Civ. App. — Houston [1st Dist.] 1973, no writ).

Likelihood of confusion requires finding that the ordinary purchaser will be misled or deceived by the similarity. *Ravel* v. *Couravallos,* 245 S.W.2d 731 (Tex. Civ. App. — Austin 1952, no writ); *Suniland Furniture Co.* v. *Sunnyland Wholesale Furniture Co.,* 235 S.W.2d 674 (Tex Civ. App. — Galveston 1950, writ ref'd). Texas law requires proof of actual confusion or probable confusion, the mere possibility of confusion being insufficient, *Fram Corp.* v. *Boyd,* 230 F.2d 931 (5th Cir. 1956); *McCarley* v. *Welch,* 170 S.W.2d 330 (Tex. Civ. App. — Dallas 1943, no writ), unless the Court finds there was a fraudulent intent to deceive. *El Chico, Inc.* v. *El Chico Cafe,* 214 F.2d 721 (5th Cir. 1954). The test for whether the similarity constitutes unfair competition is whether the labels considered as a whole are so similar that a person using the reasonable care and observation that the public generally may be expected to exercise would mistake one for the other and deal with one of such parties when he intended to deal with the other. *Caffarelli Bros.* v. *Western Grocer Co.,* 102 Tex. 104, 127 S.W. 1018 (1908); *George H. Dentler & Sons* v. *Fuller's Food Products,* 183 S.W.2d 768 (Tex. Civ. App. — Galveston 1944, writ ref'd w.o.m.).

The Court is influenced by the absence of actual confusion evidence in this case.* The Court was presented with no customer testimony, no retailer testimony, no misdirected letters or phone calls, or any other proof that any customer ever bought Hi-Yield when he or she intended to buy Ortho.

In any event, the presence of Defendant's trademark on its products renders any confusion only momentary, or possible, but not probable.

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* A review of Texas cases suggests that emphasis on actual confusion evidence is justified. In every Texas case cited in this opinion in which the plaintiff won, there was evidence of actual confusion.

> Equity will not interfere, where ordinary attention by purchaser of article claimed to be deceptively similar to plaintiff's would enable him at once to discriminate one from the other.

Henke & Pillot v. *Hanovice*, 77 S.W.2d 303, 306 (Tex. Civ. App. — Galveston 1934, no writ), *overruled on other grounds*, *Goidl* v. *Advance Neckwear Co.*, 132 Tex. 313, 123 S.W.2d 865 (1939).

Judgment will be entered for Defendants.

SO ORDERED.

DATED: June 6, 1980.

BAREFOOT SANDERS
United States District Judge

APPENDIX B

CHEVRON CHEMICAL COMPANY, a Delaware Corporation,

Plaintiff-Appellant,

v.

VOLUNTARY PURCHASING GROUPS, INC., a Texas Corporation, and Hi-Yield Chemical Co.,

Defendants-Appellees.

No. 80-1729.

UNITED STATES COURT OF APPEALS,

FIFTH CIRCUIT*

UNIT A

OCT. 23, 1981.

Pillsbury, Madison & Sutro, Thomas E. Haven, W. Robert Buxton, Andrew J. Ogilvie, San Francisco, Cal., Thompson & Knight, Christopher W. Byrd, Gregory S. C. Huffman, Dallas, Tex., for plaintiff-appellant.

Arnold, White & Durkee, Bill Durkee, William Dean Raman, Houston, Tex., for defendants-appellees.

Appeal from the United States District Court for the Northern District of Texas.

Before RUBIN, RANDALL and TATE, Circuit Judges.

ALVIN B. RUBIN, Circuit Judge.

Plaintiff Chevron Chemical Co. ("Ortho") contends that Voluntary Purchasing Groups, Inc., and Hi-Yield Chemical Co. (together, "VPG") copied the packages in which it sells lawn and garden products thus infringing its trade dress and violating § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1976), and

* Former Fifth Circuit case, Section 9(1) of Public Law 96-452 — October 14, 1980.

the Texas law of unfair competition. [1] Finding that VPG did deliberately copy Ortho's insignia, the district court denied relief on the grounds that the Lanham Act does not provide a cause of action for trade dress infringement and that Ortho failed to show, as required under applicable Texas law, either that its trade dress had acquired secondary meaning or that there was any likelihood of confusion on the part of consumers as to the respective sources of the competing products.

As to Ortho's federal claim, we conclude that earlier decisions of this Court compel the conclusion that the Act does provide a cause of action for trade dress infringement; Ortho was not required to show "secondary meaning," as that term is understood in trademark law, to prevail under that section; the district court applied an erroneous legal standard in finding no likelihood of confusion, thereby stripping that determination of the protection normally accorded fact findings under Rule 52(a), Fed.R.Civ.P.; and, at least with regard to one of the VPG packagings, Ortho demonstrated such a likelihood of confusion. Turning to Ortho's state claim under the Texas law of unfair competition, we assume *arguendo* both that Texas law requires proof of secondary meaning and the requisite proof by Ortho, but conclude that Ortho's recovery under state law cannot be greater than the relief accorded it under § 43(a) since both require a similar showing of a "likelihood of confusion." Therefore, we reverse and remand so that the district court may enter an appropriate injunction and hold further proceedings consistent with this opinion.

I.

Ortho manufactures agricultural chemicals. It is, and has been for many years, the leading seller of lawn and garden

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[1] Ortho's complaint charged VPG with unfair competition under the laws of "various states." The district court, applying choice of law principles, held that Texas law governed Ortho's state claims. Neither party challenges this ruling.

products, such as pesticides, weed killers, and fertilizers, for home consumption, such as home gardening.[2]

Ortho's management decided in 1949 to package and sell its more than 125 lawn and garden products in a uniform "family" trade dress. Since then, with few exceptions, it has packaged its products in trade dresses featuring the colors red and yellow. In 1971, it adopted the trade dress shown in black and white on Diagram 1 below.

VPG and its predecessors have also produced and marketed agricultural chemicals for many years; in 1974 it decided to introduce a new line of lawn and garden products under the trademark "Hi-Yield."[3] The district court found that, in designing its packaging, VPG intended to copy Ortho's trade dress as much as the law would allow, and consulted its attorney for advice in order to accomplish this end without violating the law.

The Ortho package shows a background composed of three horizontal bands of color; the top 20% is white, the next 30% is yellow, and the bottom 50% is red. Ortho's registered trademark, "ORTHO," is printed on the white band in bold black letters, along with the distinctive chevron mark of the Chevron companies. The yellow band contains the name of the particular product, *e. g.*, Bone Meal, which is also printed in black letters. The red band contains the required warnings regarding toxicity, general information about the product and its ingredients, and a drawing suggestive of the uses of the product, *e. g.*, the insects which a particular pesticide will eradicate. The printing in this red band is partly in black and partly in white. The back of the package is white and yellow; the top band is white and is the

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[2] Agricultural chemicals are also sold to large-scale users of the products, such as farmers, but Ortho does not complain of VPG's competition for this market.

[3] VPG sold lawn and garden products prior to 1974, but not under the "Hi-Yield" trademark, nor in the red and yellow trade dresses here complained of.

same width as the top white band on the front, and the rest of the back is yellow. The product's contents and directions for its use are printed on the back. Those Ortho products sold in liquid form come in bottles bearing a label identical to the design just described. The bottle itself is dark brown and has a yellow cap.

Diagram 1

VPG

Ortho's Trade Dress

Trade Dress No. 1

By March 1976, VPG's new "Hi-Yield" line of lawn and garden products was on the retail shelf in its first trade dress ("Trade Dress No. 1"). The front view of VPG's Trade Dress No. 1 is shown on Diagram 1 above.

VPG's packaging shows a background virtually identical to Ortho's; *i. e.*, it is composed of three horizontal bands of white, yellow and red. The widths of the bands and the shades of the colors are practically indistinguishable from those on the Ortho packaging. VPG's trademark, "Hi-Yield," printed in red capital and small letters, appears in the white band. The yellow band, like Ortho's, contains the product name printed in similar black letters. The red band, also like Ortho's, contains warnings and descriptions of the product in small print. Again like Ortho's, the printing on VPG's Trade Dress No. 1 is vertically aligned on the left, but not on the right. The back of VPG's Trade Dress No. 1, unlike Ortho's, is solid white. VPG's bottles are dark brown, substantially the same size and shape as Ortho's, but the color of the cap is white, not yellow.

After Ortho protested VPG's use of Trade Dress No. 1, VPG revised it. By August 1976, VPG began using Trade Dress No. 2, below, which also features red, yellow, and white bands in shades virtually identical to those found on Ortho packaging, but in a five band combination: white, red, yellow, red, white. On Trade Dress No. 2, VPG's trademark "Hi-Yield" (in red) and the product name (in black) both appear on the large middle yellow band.

Shortly after August 1976, VPG, on its own initiative, made another revision. Trade Dress No. 3, shown below, uses only the colors red and yellow (although again in shades practically indistinguishable from those used by Ortho) arranged this time in a three band pattern of red, yellow, red. As in Trade Dress No. 2, the red "Hi-Yield" trademark and black product name appear in the middle yellow band.

VPG's final revision, Trade Dress No. 4, shown below, was adopted after this suit was filed, and is still used. Trade Dress No. 4 again uses the same shades of red and yellow, but now in only two bands: the top two-thirds of the package is yellow, and contains the red "Hi-Yield" mark and the black product name; the bottom third is red.

Diagram 2

VPG

Trade Dress No. 2 Trade Dress No. 3 Trade Dress No. 4

Ortho's complaint alleges that VPG's trade dresses constituted "false designations of origin" and "false representations" under §43(a) of the Lanham Act and infringed Ortho's common law rights in its trade dress. Ortho demanded injunctive relief and an accounting. The trial was to the court, on the issue of liability alone.

Ortho first sought to prove that its trade dress had acquired secondary meaning. It offered evidence showing use of its trade dress from 1971 until the time of trial, evidence of extensive

advertising depicting the packaged products, and the substantial amount of its sales of products thus packaged.

To show the likelihood of confusion, Ortho relied on the visual similarity between Ortho's and VPG's trade dresses and presented evidence demonstrating that Ortho's and VPG's products are sold through similar retail outlets to similar purchasers; Ortho's and VPG's products are advertised in at least one similar manner; [4] and employees of Ortho as well as those of independent retail outlets had been confused by the similarity in the trade dresses. Ortho did not, however, offer any evidence of actual consumer confusion.

The district court concluded that "merely using a confusingly similar trade dress does not constitute a false designation of origin or a false description or representation under §43(a) of the Lanham Act." As to Ortho's state claim of unfair competition, the court concluded that Ortho failed to prove that its trade dress had acquired secondary meaning, saying there was "no evidence that consumers recognize the Ortho trade dress as distinctive or that the trade dress says 'Ortho' to them." Furthermore, the district court found that none of VPG's trade dresses was likely to cause confusion. In making this determination with regard to Trade Dress No. 1, the court compared those "digits," or factors, tending to establish such confusion with those tending to diminish it. Among the former, the court listed "the similarity of the front of the packages" and the "inference of intentional copying." Those listed as diminishing the likelihood of confusion were VPG's "consistent display of its 'Hi-Yield' trademark," the "higher than average degree of care used by consumers in purchasing [lawn and garden] products," and the "absence of any evidence of actual consumer confusion after four years of

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[4] Ortho advertises its products in various ways, including radio, television, general circulation magazines, and point of sale displays. VPG, by contrast, advertises only through point of sale displays, which again are similar to Ortho's.

competition." "In sum," the court concluded, "the factors against likelihood of confusion substantially outweigh the factors tending to show such likelihood." As to Trade Dresses Nos. 2-4, the court concluded that they were not confusingly similar to Ortho's, "and even dissimilar."

II.

Section 43(a) provides:

> Any person who shall . . . use in connection with any goods or services, or any container or containers for goods, a *false designation of origin, or any false description of representation,* including words or other symbols tending falsely to describe or represent the same, . . . *shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin* or in the region in which said locality is situated, *or by any person* who believes that he is or is *likely to be damaged by the use of any such false description or representation.*

15 U.S.C. §1125(a) (emphasis supplied). Thus, for a plaintiff to bring an action for trade dress infringement under §43(a), the use of a confusingly similar trade dress must constitute either a "false designation of origin" or a "false description or representation."

At the outset, we reject the cases holding that the use of a confusingly similar trade dress constitutes a "false designation of origin."[5] This conclusion conflicts with the geographic meaning of the term "origin" as used in the Act. That the word is thus used is shown by the express language of §43(a), which states that the user of a "false designation of origin" shall be liable to a civil action by "any person doing business *in the locality* falsely

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[5] *See, e.g., Vibrant Sales, Inc.* v. *New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir. 1981); *Keebler Co.* v. *Rovira Biscuit Corp.*, 624 F.2d 366, 372 (1st Cir. 1980); *Federal-Mogul-Bower Bearings, Inc.* v. *Azoff*, 313 F.2d 405, 408 (6th Cir. 1963) (alternate holding). *See also* Comment. *The Present Scope of Recovery for Unfair Competition Violations Under Section 43(a) of the Lanham Act*, 58 Neb.L.Rev. 159, 162, 165-67 (1978) [cited as *Nebraska Comment*].

designated as that of origin . . . 15 U.S.C. §1125(a) (emphasis added). *See* Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby — Too Far, Maybe?*, 49 Ind.L.J. 84, 109-12 (1973) [cited as *Germain*]. We turn then to consider whether §43(a) proscribes the false representation that implicitly underlies every claim of trade dress infringement—the false representation that the goods being sold by the defendant are produced or sold by the plaintiff.

The false representation part of §43(a), read afresh, appears to create a federal cause of action based upon the common-law tort of "false advertising."[6] The type of false representation constituting the essence of this tort has always been understood to

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[6] *See* Bunn, *The National Law of Unfair Competition*, 62 Harv.L.Rev. 987, 998-1000 (1949); Callmann, *False Advertising as a Competitive Tort*, 48 Colum.L.Rev. 876, 885-86 (1948); *Germain, supra*, 49 Ind.L.J. at 85; *Developments in the Law — Competitive Torts*, 77 Harv.L.Rev. 888, 907-08 (1964); *Developments in the Law — Trade-Marks and Unfair Competition*, 68 Harv.L.Rev. 814, 881-882 (1955); *Nebraska Comment, supra* note 5, at 159.

In addition, in *L'Aiglon Apparel, Inc.* v. *Lana Lobell, Inc.*, 214 F.2d 649 (3d Cir. 1954), the case most often cited by the leading commentators as being the first correct interpretation of §43(a), *see, e.g.*, 1 R. Callmann, The Law of Unfair Competition, Trademarks and Monopolies §18.2(b) (2d ed. 1967) [cited as Callmann]; 2 J. McCarthy, Tademarks and Unfair Competition §27.4(A), at 248 (1973); Derenberg, *The Seventh Year of Administration of the Lanham Trade-Mark Act of 1946*, 44 Trade-Mark Rep. 991, 1053-54 (1954), Judge Hastie explained §43(a) thus:

> It seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce . . . . Perhaps this statutory tort bears closest resemblance to the . . . tort of false advertising to detriment of a competitor, as formulated by the American Law Institute . . . . *See* Torts Restatement [(First)], Section 761 . . . .

214 F.2d at 651. Section 761 of the Restatement (First) of Torts, entitled "False Advertising." provides:

> One who diverts trade from a competitor by fraudulently representing that the goods which he markets have ingredients or qualities which in fact they do not have but which the good[s] of a

be an affirmative misrepresentation by the defendant (either through its advertising or otherwise in connection with its sales efforts) regarding the existence of certain qualities or characteristics that its goods do not in fact have.[7] Although even under this description of the common-law tort it could be argued as a matter of semantics that the source of a product is one of its qualities or characteristics, this type of misrepresentation has never been deemed covered by the doctrine of "false advertising."

Instead, false representations of the source of a product constitute the common-law tort of "unfair competition," or, as it is otherwise known, "passing off." Generally speaking, "unfair competition" in its technical sense[8] refers to a "defendant . . . passing off his goods or services as those of the plaintiff by virtue of substantial similarity between the two . . . ." *Boston Professional Hockey Association* v. *Dallas Cap & Emblem Manufacturing Co.*, 510 F.2d 1004, 1010 (5th Cir.), *cert. denied*, 423

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competitor do have, is liable to the competitor for the harm so caused . . . .

[7] The Restatement gives the following examples of the type of misrepresentation meant to be proscribed by its section on "false advertising":

> a representation that furniture is made of mahogany or is solid mahogany when it has only a mahogany finish or a mahogany veneer; or a representation that what is in fact a cotton textile has 40 per cent of wool; or that a coffee drink contains no caffein or tobacco no nicotine; or that the goods were produced in a particular geographical area which adds to their merit, when in fact they were produced elsewhere; or that the goods will perform a specific function when in fact they can do nothing of the sort; or that they were produced according to a particular design when that design was not used at all.

Restatement (First) of Torts §761, comment b.

[8] In recent years, "unfair competition" has more and more come to signify a very broad range of practices contrary to "honest dealings." *See* 1 R. Callmann, *supra* note 6, §4.1. For the purposes of this opinion, however, our continued references to "unfair competition" are meant to be understood as the specific common-law tort discussed in the text.

U.S. 868, 96 S.Ct. 132, 46 L.Ed.2d 98 (1975). "The whole basis of the law of 'unfair competition' . . . is that no one shall sell his goods in such a way as to make it appear that they come from some other source." *American-Marietta Co.* v. *Krigsman*, 275 F.2d 287, 289 (2d Cir. 1960). "The simplest form of ['unfair competition'] is to use the name or trademark of another, but the law goes further than that." *Id.* It is therefore clear that trade dress infringement, like trademark infringement, is one variety of "unfair competition," not "false advertising."

In sum, the essential misrepresentation in "false advertising," which we have noted forms the basis of the "false representation" leg of §43(a),[9] is fundamentally different from the essential misrepresentation in "unfair competition": in the former case, the defendant makes no secret of the origin of the goods in himself, but merely misrepresents certain qualities or characteristics that his goods may or may not have; in the latter case, the defendant misrepresents his goods to be those of another. As commentators have noted, it would have been anomalous for Congress to enact an entire statute, 45 sections in length, to define and protect trademarks by federal law and then in a passing reference to enact as federal the entire common law of unregistered marks and unfair competition. *See, e.g.*, Derenberg, *The Twenty-Fifth Year of Administration of the Lanham Trademark Act of 1946*, 62 Trade-Mark Rep. 393, 497 (1972); *Germain, supra*, 49 Ind.L.J. at 111.

We do not, however, write on a clean slate. In *Boston Professional Hockey, supra*, we held that the use of another's unregistered, *i.e.*, common-law, trademark "can constitute a violation of [§43(a)] where '. . . the alleged unregistered trademarks used by the plaintiff are so associated with its goods that the use of the same or similar marks by another company constitutes a *[false] representation that its goods come from the same*

[9] *See* text and note at note 6 *supra*.

source.'" 510 F.2d at 1010 (emphasis added), *quoting Joshua Meier Co.* v. *Albany Novelty Manufacturing Co.*, 236 F.2d 144, 147 (2d Cir. 1956). This statement clearly announced this Circuit's view that §43(a) proscribes not only what had been considered "false advertising" but also what had been differentiated as "unfair competition." That step taken, we see no reason to apply §43(a) to one form of common-law "unfair competition," namely, trademark infringement, but not to another form of that same tort, *i.e.*, trade dress infringement.

Indeed, another panel of this Court, apparently recognizing the force of this argument, recently expressly allowed a suit for trade dress infringement under §43(a). *See Sun-Fun Products, Inc.* v. *Suntan Research & Development, Inc.*, 656 F.2d 186, 192 (5th Cir. 1981). Bound by these precedents, we therefore hold that Ortho's claim of trade dress infringement was rightfully brought under §43(a) and that §43(a) created a *sui generis* federal statutory cause of action for "false representation." *See Norman M. Morris Corp.* v. *Weinstein*, 466 F.2d 137, 141 (5th Cir. 1972). Therefore, common-law decisions interpreting this tort, while suggestive, are not controlling. *Keebler Co.* v. *Rovira Biscuit Corp.*, 624 F.2d 366, 373 (1st Cir. 1980).

III.

The district court held that, even if §43(a) were applicable, Ortho would lose because it did not prove either that its trade dress had acquired secondary meaning or that VPG's use of Trade Dresses No. 1-4 was likely to cause consumer confusion. We address these points in turn.

Some circuit courts, like the district court, have required secondary meaning. *See, e.g., Vibrant Sales, Inc.* v. *New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir. 1981); *Keebler Co., supra*, 624 F.2d at 378. We do not agree, however, that secondary meaning must be shown in every trade dress infringement suit.

The term "secondary meaning" was developed as part of the common-law of trademarks. The purpose of a trademark is to enable consumers to distinguish between similar goods or services supplied from different sources. Some words and phrases are patently distinctive and, therefore, qualify facially for legal protection, *e.g.*, coined works like Kodak. However, descriptive terms, geographical place names, and family surnames are not inherently distinctive and do not alone identify any particular company's product. They were not protected as trademarks unless they had acquired distinctiveness through extensive use by a single supplier, so that the public would recognize them as identifying the source of the product. This consumer identification is known as "secondary meaning." Diamond, *Untangling the Confusion in Trademark Terminology*, 78 Pat. & T.M. Rev. 195, 196 (1980). *See also Kellogg Co.* v. *National Biscuit Co.*, 305 U.S. 111, 118, 59 S.Ct. 109, 113, 83 L.Ed. 73, 78 (1938). Thus, trademark law requires a demonstration of "secondary meaning" only when the claimed trademark is not sufficiently distinctive of itself to identify the producer.

The same principles should apply to protection of trade dresses. If the features of the trade dress sought to be protected are arbitrary and serve no function either to describe the product or assist in its effective packaging, there is no reason to require a plaintiff to show consumer connotations associated with such arbitrarily selected features. As the Second Circuit Court of Appeals explained in *Perfect Fit Industries, Inc.* v. *Acme Quilting Co.*, 618 F.2d 950, 952-53 (2d Cir. 1980), applying New York law, the number of nonfunctional words and symbols available for use by later comers in the marketing of their products is unlimited. Similarly, the possible varieties of advertising display and packaging are virtually endless. The principal question, therefore, is whether or not the public is likely to be confused, rather than whether the first comer's trade dress has acquired secondary meaning.

Ortho could not preempt the use of red and yellow nor does it seek to do so. It seeks only to protect the combination of particular hues of these colors, arranged in certain geometric designs, presented in conjunction with a particular style of printing, in such fashion that, taken together, they create a distinctive visual impression. This would leave innumerable other combinations of the same colors or other colors that could be assembled in a multitude of patterns to be used with uncounted type faces. Applying the Lanham Act, therefore, the district court should not have required Ortho to demonstrate that the collection of arbitrary features it assembled had acquired secondary meaning.

The district court also held that Ortho would have to demonstrate a likelihood of confusion as to the source of the products resulting from VPG's use of its trade dresses. With this we agree, for the requirement flows logically from the statutory basis of the action, the making of a "false representation." Indeed, the basic test under every type of "unfair competition" is the "likelihood of confusion" test. *See, e.g., Sun-Fun Products, supra,* 656 F.2d at 192; *Harlequin Enteprises Ltd.* v. *Gulf & Western Corp.,* 644 F.2d 946, 949 (2d Cir. 1981); *Keebler Co., supra,* 624 F.2d at 377; *Amstar Corp.* v. *Domino's Pizza, Inc.,* 615 F.2d 252, 258 (5th Cir. 1980); *Boston Professional Hockey, supra,* 510 F.2d at 1013.

The district court found that Ortho failed to demonstrate any likelihood of confusion. In this circuit, likelihood of confusion is a finding of fact that can be set aside only if clearly erroneous. *Amstar Corp., supra,* 615 F.2d at 258; Fed.R.Civ.P. 52(a). It is well established, however, that the "clearly erroneous" standard of appellate review is inapplicable when the trial court does not apply governing legal standards in making its findings. *Kentucky Fried Chicken Corp.* v. *Diversified Packaging Corp.,* 549 F.2d 368, 384 (5th Cir. 1977). *See also Continental Motors Corp.* v. *Continental Aviation Corp.,* 375 F.2d 857, 859 (5th Cir. 1967); *Davis* v. *Parkhill-Goodloe Co.,* 302 F.2d 489, 491 (5th Cir.

1962). Finding that the district court misapplied one crucial legal standard in making its determination as to VPG's Trade Dress No. 1 that no likelihood of confusion existed, we reverse that determination.

As we recently stated in *Sun-Fun Products*, the "central inquiry" in a trade dress infringement suit under § 43(a) is "whether the defendant is passing off his goods . . . as those of the plaintiff by virtue of substantial similarity between the two, leading to confusion on the part of potential customers," and the factors relevant to this inquiry "are essentially the same as those relevant in determining trademark infringement, but the scope of inquiry into similarity of design is considerably broader." *Sun-Fun Products*, 656 F.2d at 192.

Thus, in the trademark area, we have held that the likelihood of consumer confusion is determined by looking at a variety of factors, or "digits," including the defendant's intent, the similarity of design, actual confusion, the similarity of product, the similarity of retail outlets and purchasers, and the similarity of advertising media used. *See Amstar Corp., supra*, 615 F.2d at 259-63. Disposing of the easy points first, Ortho and VPG, both marketers of lawn and garden products, were selling similar products through similar retail outlets to similar purchasers. As regards advertising, both Ortho and VPG products are promoted extensively through point of sale displays. In fact, VPG products are advertised only that way. These factors point to likelihood of confusion.

We address the remaining "digits" first with regard to Trade Dress No. 1, *see* Diagram 1 *supra*, then with regard to Trade Dresses Nos. 2-4, *see* Diagram 2 *supra*.

Intent: we stated in *Amstar* that the "intent of defendants in adopting [their mark] is a critical factor, since if the mark was adopted with the intent of deriving benefit from the reputation of [the plaintiff,] *that fact alone may be sufficient to justify the inference that there is confusing similarity.*" *Amstar Corp.*,

supra, 615 F.2d at 263 (emphasis added). "[A]s soon as we see that a second comer in a market has, for no reason that he can assign, plagiarized the 'make-up' of an earlier comer, we need no more; for he at any rate thinks that any differentia he adds will not, or at least may not, prevent the diversion and we are content to accept his forecast that he is 'likely' to succeed." *American Chicle Co.* v. *Topps Chewing Gum, Inc.*, 208 F.2d 560, 563 (2d Cir. 1953) (L. Hand, J.).

As we have noted, the district court found that VPG, in designing Trade Dress No. 1, meant to copy Ortho's trade dress, at least "as much as the law would allow." While the district court did not specifically find that VPG copied Ortho's trade dress with the intent of "cashing in" on Ortho's goodwill, we can think of no other plausible explanation of such behavior. It is so easy for a business man who wishes to sell his goods upon their merits to select marks and packagings that cannot possibly be confused with his competitor's that "courts look with suspicion upon one who, in dressing his goods for the market, approaches so near to his successful rival that the public may fail to distinguish between them." *Florence Manufacturing Co.* v. *J. C. Dowd & Co.*, 178 F.73, 75 (2d Cir. 1910).

Similarity of design: the district court found that Ortho's trade dress and VPG's Trade Dress No. 1 were similar enough that a consumer might "initially" confuse them, but that any such confusion "would be dispelled upon a close examination and comparison." The judge stated that, "[b]ecause these products are frequently toxic, and because the consumer must read the label to see if a specific product is what he or she needs, the consumers of lawn and garden products can be expected to exercise a higher degree of care in selecting [these] products than they would for the average shelf item."

This conclusion is not supported by any evidence in the record. Even if the statement correctly describes the behavior of first time purchasers, there is neither evidence for, nor does logic

support, the proposition that a consumer buying "bone meal" for the tenth time rereads the entire label. Moreover, even those who read the label to see if the product does what the buyer wants it to do, or to determine its toxic properties, do not necessarily have their attention directed to information regarding the product's manufacturer.

Even if close examination would differentiate the products, that is not sufficient to dispel the initial confusing similarity. "The touchstone under §[43(a)] is . . . similarity in the *overall trade dress of the products.*" *Sun-Fun Products, supra,* 656 F.2d at 192 (emphasis added). *See also Perfect Fit, supra,* 618 F.2d at 955 ("[I]t is the 'combination of features as a whole rather than a difference in some of the details which must determine whether the competing product is likely to cause confusion in the mind of the public,'" *quoting Pharmaceuticals, Inc.* v. *United Whelan Corp.,* 22 Misc.2d 532, 534-35, 197 N.Y.S.2d 22, 25 (Sup.Ct.1959). It was error to determine dissimilarity on the basis of a "close examination and comparison" in the face of close overall similarity. *Accord, RJR Foods, Inc.* v. *White Rock Corp.,* 603 F.2d 1058, 1060 (2d Cir. 1979).

Consumer confusion: the district court found persuasive the fact that Ortho produced no evidence of actual consumer confusion. As we have stated, this is patently the best evidence of likelihood of confusion, *see, e. g., Roto-Rooter Corp.* v. *O'Neal,* 513 F.2d 44, 45-46 (5th Cir. 1975); *World Carpets, Inc.* v. *Dick Littrell's New World Carpets,* 438 F.2d 482, 489 (5th Cir. 1971). However, the absence of such evidence does not necessarily demonstrate the converse. *Cf. Scarves by Vera, Inc.* v. *Todo Imports, Ltd.,* 544 F.2d 1167, 1175 (2d Cir. 1976); *W. E. Bassett Co.* v. *Revlon, Inc.,* 435 F.2d 656, 662 (2d Cir. 1970). It would be exceedingly difficult to detect instances of actual confusion when, as here, the goods are relatively inexpensive and

their actual properties are exactly identical; *e. g.*, Ortho's Malathion is the same as VPG's.[10] In sum, it seems to us that the lack of evidence of actual confusion did not militate strongly against a finding of likelihood of confusion.

Reviewing the digits, then, with regard to Trade Dress No. 1, we find that they all, with the exception of evidence of actual confusion, support a finding of likelihood of confusion. We, therefore, reverse the district court's finding of no likelihood of confusion, and thus, its judgment in favor of VPG on Ortho's §43(a) claim. Ortho is entitled to effective injunctive relief, the proper scope of which will be discussed *infra*.

As to VPG's Trade Dresses Nos. 2-4, the district court found that their "*overall appearance* . . . to the ordinary consumer, even to an inattentive person not exercising reasonable care, would not be confusing when compared to Ortho's trade dress . . . [T]hese trade dresses [are] not confusingly similar, and even dissimilar" (emphasis added). Because the court thus applied the governing legal standard of "overall appearance," and we cannot conclude that its findings relating to Trade Dresses Nos. 2-4 are clearly erroneous, we affirm its judgment that VPG's use of these later trade dresses did not constitute independent violations of §43(a).

Having thus determined that Ortho proved its claim under §43(a) with regard to VPG's Trade Dress No. 1, we remand to the district court for the entrance of an appropriate injunctive order. Such an order will prohibit VPG from using Trade Dress No. 1 or any other trade dress confusingly similar to Ortho's. Although we have just determined that VPG's Trade Dresses Nos. 2-4, standing alone, did not constitute violations of §43(a),

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[10] There was some evidence of actual confusion by retail clerks but not by consumers. The district court found: "There have been instances where [VPG] and Ortho packages were mixed together on shelves, but the court had no evidence to show that this mixing was other than inadvertent."

that does not mean that the injunction we direct the district court to issue must allow them to be used.

> [A] competitive business, once convicted of unfair competition in a given particular, should thereafter be required to keep a safe distance away from the margin line—even if that requirement involves a handicap as compared with those who have not disqualified themselves.

Broderick & Bascom Rope Co. v. *Manoff*, 41 F.2d 353, 354 (6th Cir. 1930). In a similar case, *Kimberly Knitwear, Inc.* v. *Kimberley Stores Inc.*, 331 F.Supp. 1339 (W.D.Mich. 1971), the plaintiff was a manufacturer of women's apparel sold under the trademark "Kimberly." Defendants sold women's apparel and named their stores "Kimberley's." During the pendency of the action, defendants changed their name to "Kimley's" which they argued they were entitled to use thereafter. The court rejected the argument:

> It appears, however, that defendants have attempted to retain the goodwill they have appropriated by the use of plaintiff's name, through the use of a name which, while perhaps not confusingly similar, is so reminiscent of the plaintiff's that it continues to accord the defendants some of the same unfair advantage they have previously enjoyed. This they may not do.

331 F.Supp. at 1341.

We ourselves have recently reaffirmed these principles in an unfair competition case:

> An injunction can be therapeutic as well as protective. In fashioning relief against a party who has transgressed the governing legal standards, a court of equity is free to proscribe activities that, standing alone, would have been unassailable. *See, e. g., United States* v. *Loew's, Inc.*, 371 U.S. 38, 53, 83 S.Ct. 97, [106] 9 L.Ed.2d 11 (1962) (collecting cases). The sweep of equitable discretion is at least this broad.

Kentucky Fried Chicken, supra, 549 F.2d at 390. The district court should, therefore, in fashioning the injunction mandated

by this opinion, state that it will construe the phrase "confusingly similar" broadly so as to prohibit the use, not only of Trade Dress No. 1, but also efforts by VPG to retain at least part of the goodwill originally misappropriated from Ortho.

IV.

Ortho's state law claims need not detain us long. As the district court noted, the Texas law of unfair competition, like that under §43(a) of the Lanham Act, also requires a showing of "likelihood of confusion." *See, e. g., Miller* v. *Lone Star Tavern, Inc.*, 593 S.W.2d 341, 344 (Tex.Civ.App.—Waco 1979, no writ). Thus, regardless of other Texas requirements, Ortho's success under its state law claim could be no greater than we have determined that it was under §43(a). Thus, the injunction which we order to be entered against VPG as a result of its violation of §43(a) will be at least as broad as any that could be justified under Texas law. We, therefore, need not consider the issues of whether, on the facts of this case, Texas law required Ortho to demonstrate secondary meaning, as held by the district court, or, if so, whether, contrary to the finding of the court below, Ortho demonstrated such secondary meaning.

REVERSED and REMANDED.

APPENDIX C
ARTICLE I, SECTION 8, CLAUSE 8 OF THE CONSTITUTION OF THE UNITED STATES

"Section 8. The Congress shall have Power . . .

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries; . . ."

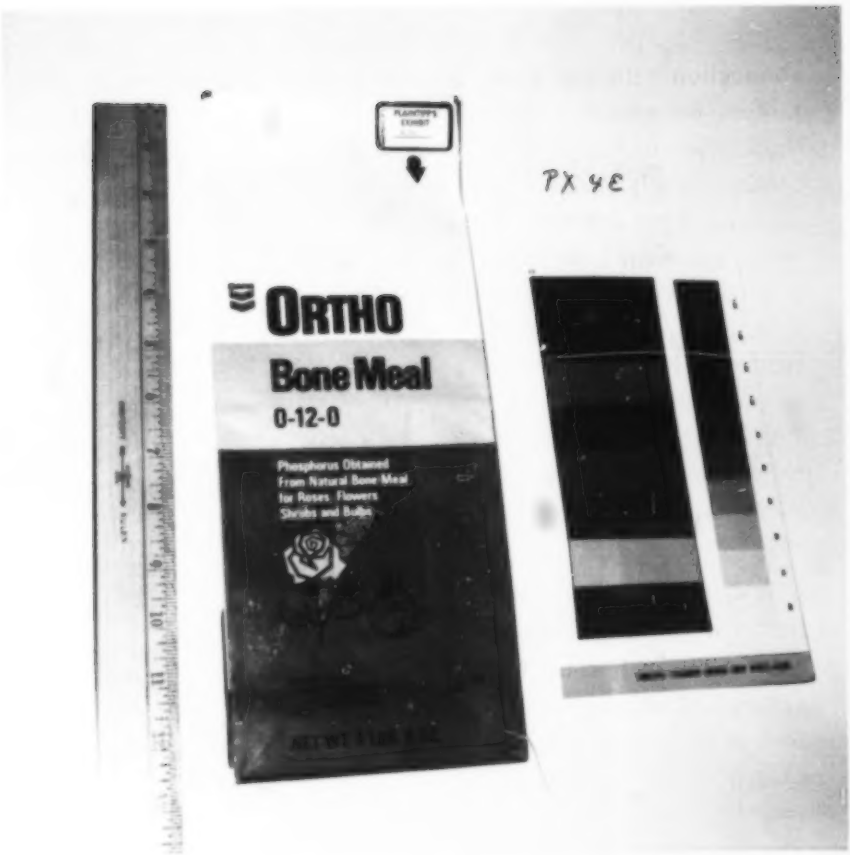
§43(a) OF THE LANHAM ACT, 15 U.S.C. §1125(a)

"§1125. False designations of origin and false descriptions forbidden

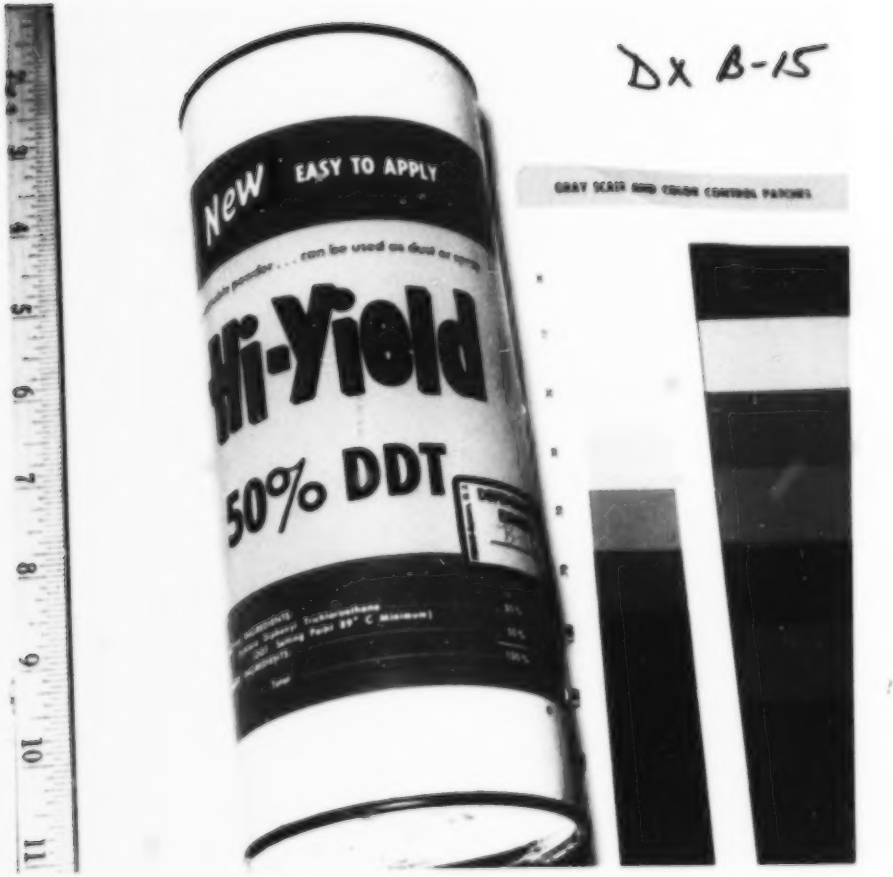
(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation or origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

(b) Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

July 5, 1946, c. 540, Title VIII, §43, 60 Stat. 441."



Chevron's ORTHO Package



VPG's Prior HI-YIELD Package Commercially Used Prior To The ORTHO Package [App D at 1].

VPG's HI-YIELD "Trade Dress No. 1"

VPG's HI-YIELD "Trade Dress No. 2"

VPG's HI-YIELD "Trade Dress No. 3"

VPG's HI-YIELD "Trade Dress No. 4"

Opposition

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No. 81-1387

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1981

VOLUNTARY PURCHASING GROUPS, INC.,
Petitioner,

VS.

CHEVRON CHEMICAL COMPANY,
Respondent.

BRIEF IN OPPOSITION

On Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

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QUESTION PRESENTED FOR REVIEW

Whether the court of appeals' determination was correct that petitioner's intentional copying on its labels for lawn and garden products of the combination of particular hues of colors, arranged in certain geometric designs, in conjunction with a particular style of printing used by respondent on its labels for lawn and garden products violated § 43(a) of the Lanham Act (60 Stat. 441, 15 U.S.C. § 1125 (a)).[1]

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[1]The parties to the proceeding below are listed in footnote 1 on page 2 of the petition.

Chevron Chemical Company is a wholly owned subsidiary of Standard Oil Company of California, a publicly owned corporation. Standard Oil Company of California owns stock in the following publicly owned corporations:

Huntington Beach Co.
AMAX, Inc.
Cetus Corp.

Standard Oil Company of California also owns stock in the following corporations: American Overseas Petroleum Limited; Chevron do Brasil Participacoes e Empreendimentos Ltda; Chevron Oil Company of Portugal; Compania de Niquel Colombiano, S.A.; Compania de Petroleo Chevron S.A.; Crest Exploration Limited; First Colony Life Insurance Company; Oil Insurance Limited; P. T. Caltex Pacific Indonesia; Refineria Petrolera de Guatemala-California, Inc.; Windfarms, Ltd.; Caltex Petroleum Corporation.

Chevron Chemical Company owns stock in the following corporations: Aditivos Mexicanos, S.A.; Chevron Chemical S.A.; Chevron Chemical Company S.A.F.; Chevron Quimica do Brasil Ltda; Coromandel Fertilisers Limited; Karonite Chemical Company, Limited; Nippon Petroleum Detergent Company, Limited; Orobis Limited; Orogil S.A.; Petrosynthese S.A.; Quimicas Ortho de California, Limitada; Societe Calgil.

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No. 81-1387

In the Supreme Court

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United States

OCTOBER TERM, 1981

VOLUNTARY PURCHASING GROUPS, INC.,
Petitioner,

VS.

CHEVRON CHEMICAL COMPANY,
Respondent.

BRIEF IN OPPOSITION

On Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

PRELIMINARY STATEMENT

Petitioner's attempt to interest the Court in the case at bar is based on a misstatement of the court of appeals' holding (Pet., pp. 2, 6). The court of appeals did not grant respondent the exclusive perpetual right to use certain colors for its labels. Rather, the court of appeals held:

> "Ortho [respondent] could not preempt the use of red and yellow nor does it seek to do so. It seeks only to protect the combination of particular hues of these colors, arranged in certain geometric designs, presented in conjunction with a particular style of printing, in such fashion that, taken together, they create a distinctive visual impression" (Pet., Appx. B, p. B-14).

It is established law that § 43(a) of the Lanham Act provides protection against the copying of such arbitrary combinations of elements, i.e., trade dress. The fact that both the district court and court of appeals found that petitioner intentionally copied respondent's trade dress (Pet., Appx. A, p. A-3; Appx. B, p. B-3) emphasizes the correctness of the court of appeals' decision. Petitioner's contention that the Fifth Circuit's decision creates new law for the United States (Pet., pp. 5, 6) is erroneous. Although the issue in question had not been previously decided by the Fifth Circuit, its decision is in accord with the relevant decisions in other circuits.

We respectfully submit that the petition presents no substantial basis for this Court to review the Fifth Circuit's decision.

REASONS WHY THE WRIT SHOULD BE DENIED

I. THE DECISION BELOW IS IN ACCORD (1) WITH ESTABLISHED LAW THAT § 43(a) OF THE LANHAM ACT PROVIDES PROTECTION FROM THE COPYING OF ONE'S DISTINCTIVE TRADE DRESS AND (2) WITH FEDERAL POLICY ON COMPETITION

On pages 5 through 11 of the petition, petitioner erroneously contends that the court of appeals' decision creates new law in the United States and that the alleged new law is somehow in conflict with the policy set forth in *Sears, Roebuck & Co.* v. *Stiffel Co.* (1964) 376 U.S. 225 and *Compco Corp.* v. *Day-Brite Lighting* (1964) 376 U.S. 234. Contrary to petitioner's contention (Pet., p. 6), the court of appeals did not grant respondent "the exclusive *per-*

petual right to its packaging colors."[2] Rather, it protected under § 43(a) "the combination of particular hues of these colors, arranged in certain geometric designs, presented in conjunction with a particular style of printing, in such fashion that, taken together, they create a distinctive visual impression" (Pet., Appx. B, p. B-14). Although the issue of affording relief for the copying of trade dress under § 43(a) had not been previously decided by the Fifth Circuit, the propriety of doing so is in accord with well-established law in other circuits (*SK&F, Co.* v. *Premo Pharmaceutical Lab.* (3 Cir. 1980) 625 F.2d 1055; *RJR Foods, Inc.* v. *White Rock Corp.* (2 Cir. 1979) 603 F.2d 1058; *Truck Equipment Serv. Co.* v. *Fruehauf Corp.* (8 Cir. 1976) 536 F.2d 1210, certiorari denied (1976) 429 U.S. 861).[3]

Petitioner also erroneously suggests that applying the "likelihood of confusion" test in cases dealing with unregistered marks is either new law or incorrect (Pet., p. 6, ftn. 2). That test is neither new nor incorrect (*Truck Equipment Serv. Co.* v. *Fruehauf Corp.* (8 Cir. 1976) 536 F.2d 1210, 1220-1221; *RJR Foods, Inc.* v. *White Rock Corp.*

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[2]For this reason, the cases cited on page 11 of the petition in support of the proposition that color alone cannot be trademarked or monopolized are irrelevant.

[3]See also *Fremont Co.* v. *ITT Continental Baking Co., Inc.* (S.D.N.Y. 1977) 199 United States Patents Quarterly 415; *Ore-Ida Foods, Inc.* v. *Carnation Co. Inc.* (S.D.Tex. 1977) 197 United States Patents Quarterly 176; *Scholl, Inc.* v. *Tops E.H.R. Corp.* (E.D.N.Y. 1975) 185 United States Patents Quarterly 754; *Clairol Inc.* v. *Cosway Co., Inc.* (C.D.Cal. 1974) 184 United States Patents Quarterly 583; *Eastman Kodak Co.* v. *Fotomat Corp.* (N.D.Ga. 1970) 165 United States Patents Quarterly 444; *Eastman Kodak Co.* v. *Royal-Pioneer Paper Box Mfg. Co.* (E.D.Pa. 1961) 197 F.Supp. 132.

(2 Cir. 1979) 603 F.2d 1058, 1061; *Keebler Co.* v. *Rovira Biscuit Corp.* (1 Cir. 1980) 624 F.2d 366, 377-378).[4] Furthermore, petitioner conceded below that the "likelihood of confusion" test was the one to be applied in the case at bar (Supp. Brief of petitioner in the district court, p. 9).

Equally baseless is petitioner's contention that proscribing trade dress infringement somehow conflicts with the Federal policy expressed in the *Sears* and *Compco* cases (Pet., p. 7). Those cases concerned preemption of state law by Federal law and held only that state unfair competition laws must not impinge upon the policies embodied in the Federal *patent* and *copyright* laws; they are totally irrelevant to trade dress infringement under § 43(a) (*Truck Equipment Serv. Co.* v. *Fruehauf Corp.* (8 Cir. 1976) 536 F.2d 1210, 1214-1215; *SK&F, Co.* v. *Premo Pharmaceutical Lab.* (3 Cir. 1980) 625 F.2d 1055, 1064-1066). And, in fact, this Court in *Sears* made it clear that there is no Federal policy against protecting trade dress:

> "Doubtless a State may * * * protect businesses in the use of their trademarks, *labels, or distinctive dress in the packaging* of goods so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods" (376 U.S. 232; emphasis added).[5]

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[4]It is to be noted that, although the Hi-Yield brand name was on petitioner's labels (Pet., p. 6), the district court found that "[a] consumer of lawn and garden products could initially confuse Ortho and Hi-Yield Trade Dress #1 (particularly the bottled products) by their apparent similarity when lined up on a shelf" (Pet., Appx. A, p. A-5).

[5]Nor are *Kellog Co.* v. *National Biscuit Co.* (1938) 305 U.S. 111 (Pet., pp. 6, 10, 17) and *Coats* v. *Merrick Thread Co.* (1893) 149 U.S. 562 (Pet., pp. 6, 9, 10) of aid to petitioner. The subsequent decision in *Sears* sets forth the policy on copying trade dress. In any event, the Court in *Kellog* found that the "Kellog cartons

II. THE DECISION BELOW DOES NOT EXPAND THE SCOPE OF § 43(a) AND DOES NOT CONFLICT WITH THE DECISIONS OF OTHER CIRCUITS.

Petitioner's second basis for seeking review is also without merit. On pages 11 through 17 petitioner erroneously contends that the decision in the case at bar conflicts with decisions in other circuits.

It is not relevant to this case whether *Boston Pro. Hockey Ass'n* v. *Dallas Cap & E. Mfg., Inc.* (5 Cir. 1975) 510 F.2d 1004, certiorari denied (1975) 423 U.S. 868, conflicts with *Intern. Order of Job's Daughters* v. *Lindeburg & Co.* (9 Cir. 1980) 633 F.2d 912, certiorari denied (U.S.S.Ct. June 15, 1981) 49 U.S. Law Week 3931 (Pet., pp. 13-14). Those cases raised the issue of whether the copying of the insignia of an organization was actionable under § 43(a). The cases turned on the following principle of law, as stated by the *Job's Daughters* court, which denied relief:

> "Trademark law does not prevent a person from copying so-called 'functional' features of a product which constitute the actual benefit that the consumer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product" (633 F.2d 917).

The Ninth Circuit found an insignia to be "functional" and not to have a nonfunctional meaning (633 F.2d 920), while the Fifth Circuit had found a different insignia to have a

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are distinctive. They do not resemble those used by the plaintiff either in size, form or color" (305 U.S. 120); and in *Coats* held "the intent to imitate plaintiffs' spool heads * * *, is manifest rather in the label than in the periphery, but plaintiffs having submitted to this without protest for twelve years, have waived their right to relief upon this ground" (149 U.S. 573).

"nonfunctional" meaning, i.e., that consumers believed that the insignia came from the organization (510 F.2d 1012-1013). Both courts, however, agreed that copying of "nonfunctional" features is actionable under § 43(a) (633 F.2d 917, 919; 510 F.2d 1012, 1013). Petitioner does not contend that the label features involved here are "functional." Therefore, the court of appeals' reliance on *Boston Pro.* (Pet., Appx. B, pp. B-11-B-12) for the proposition that copying of unregistered marks which associate the products with the source is actionable under § 43(a) is in accord with principles set forth in both *Job's Daughters* and *Boston Pro.* There was no expansion of the scope of § 43(a) to provide a Federal cause of action for trade dress infringement (Pet., p. 14).[6]

No conflict between *Vibrant Sales, Inc.* v. *New Body Boutique, Inc.* (2 Cir. 1981) 652 F.2d 299 and this case exists despite petitioner's contention to the contrary (Pet., p. 14). Assuming *Vibrant Sales* involves trade dress infringement, which is doubtful, it does not hold that the infringement there involved had to be brought under the "false designation of origin" language of § 43(a) (652 F.2d 303, ftn. 3). Further, while the court in *Vibrant Sales* required secondary meaning on the facts before it, it recognized that secondary meaning need not be proved in every case under § 43(a) (ibid.). And that is correct where, as here, the mark is arbitrary and, therefore, inherently

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[6]See also the cases cited at page 3, which show that it is well established that a cause of action for trade dress infringement exists under § 43(a).

distinctive.[7] The statute does not require a showing of secondary meaning. That phrase developed as a part of the common law of trademarks which required a showing of secondary meaning *only* when protection was sought for nondistinctive words with primary meanings, such as geographical names. Secondary meaning in such a case was necessary in order to show that there was identification of the nondistinctive name with a particular supplier. Where the features are arbitrary and distinctive, they have no primary meaning and can serve only to identify the source; therefore, secondary meaning is irrelevant (3 Callmann, Unfair Competition Trademarks and Monopolies (3d Ed. 1969) § 66.1, p. 24).[8]

III. INWOOD LABORATORIES, INC., ET AL. v. IVES LABORATORIES, INC., IS IRRELEVANT TO THE CASE AT BAR.

Although petitioner states that *Inwood Laboratories, Inc., et al.* v. *Ives Laboratories, Inc.* (reported as *Ives Laboratories, Inc.* v. *Darby Drug Co.* (2 Cir. 1981) 638 F.2d 538), certiorari granted (U.S.S.Ct. Oct. 13, 1981) Dkt.No. 80-2182, 50 U.S.Law Week 3278, presents questions concerning the applicability of the Lanham Act to colors of competing drug capsules (Pet., p. i), petitioner does not argue, as it could not, that the issues in *Inwood* are relevant to this case. The issues in *Inwood,* a case of contributory in-

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[7] In *Keebler Co.* v. *Rovira Biscuit Corp.* (1 Cir. 1980) 624 F.2d 366, 378 (Pet., p. 16), secondary meaning was required because the design in question was "functional, as opposed to arbitrary."

[8] *Upjohn Co.* v. *Wm. S. Merrell Chemical Co.* (6 Cir. 1920) 269 Fed. 209, 211-212 (Pet., pp. 16-17) holds only that secondary meaning is required where a nonarbitrary mark is involved; the court clearly stated it was not deciding a case involving an arbitrary mark which might not require a showing of secondary meaning.

fringement, which involve trade dress concern whether the trade dress of medicine capsules is "functional" and whether color alone can be protected. As shown above (supra, pp. 2-3, 6), the trade dress in the case at bar does not involve color alone and is not "functional." Even the petitioner in *Inwood* admits that copying of nonfunctional trade dress, including those which involve elements of color, violates the Act (Pet. in 80-2182, pp. 20-21).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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Petitioner's Reply Brief

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No. 81-1387

IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

VOLUNTARY PURCHASING GROUPS, INC.,

Petitioner,

v.

CHEVRON CHEMICAL COMPANY,

Respondent.

REPLY BRIEF IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI

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Kellogg Co. v. *National Biscuit Co.*, 305 U.S. 111 (1938) 4

Mortellito v. *Nino of California, Inc.*, 335 F. Supp. 1288 (S.D.N.Y. 1972) 4

Ore-Ida Foods, Inc. v. *Carnation Co. Inc.*, 197 U.S.P.Q. 176 (S.D. Tx. 1977) 3

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Scholl, Inc. v. *Tops E.H.R. Corp.*, 185 U.S.P.Q. 754 (E.D.N.Y. 1975) 3

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OTHER AUTHORITIES

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IN THE

Supreme Court of the United States

VOLUNTARY PURCHASING GROUPS, INC.,

Petitioner,

v.

CHEVRON CHEMICAL COMPANY,

Respondent.

REPLY BRIEF IN SUPPORT OF THE PETITION FOR A WRIT OF CERTIORARI

ARGUMENT

I.

The Circuit Court Cases Relied On By Respondent Conflict With The Decision Below

The three circuit court cases relied on by respondent for trade dress infringement (Brief in Opposition at 3) all conflict with the decision below, for each of these cases requires proof of secondary meaning (trademark significance), and they discuss the need for this proof.[1]

Further, two recent circuit court cases,[2] which analyze philosophically the requirement of secondary meaning under Section 43(a), conflict with the decision below. Indeed, the Court below, contrary to the position of respondent, explicitly recognized this conflict:

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[1] *SK&F, Co.* v. *Premo Pharmaceutical Lab.*, 625 F.2d 1055, 1063-65 (3d Cir. 1980); *RJR Foods, Inc.* v. *White Rock Corp.*, 603 F.2d 1058, 1059 (2d Cir. 1979); *Truck Equipment Serv. Co.* v. *Fruehauf Corp.*, 536 F.2d 1210, 1217 (8th Cir. 1976), *cert. denied*, 429 U.S. 861 (1976).

[2] *Vibrant Sales, Inc.* v. *New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir. 1981); *Keebler Co.* v. *Rovira Biscuit Corp.*, 624 F.2d 366 (1st Cir. 1980).

> Some circuit courts, like the district court, have required secondary meaning. *See, e.g., Vibrant Sales, Inc.* v. *New Body Boutique, Inc.*, 652 F.2d 299, 303 (2d Cir. 1981); *Keebler Co., supra*, 624 F.2d at 378. We do not agree, however, that secondary meaning must be shown in every trade dress infringement suit.

[App. B at 12].

Proof of secondary meaning is and always has been essential to a cause of action for the imitation of packaging appearance, whether under Section 43(a) or common law. Absent such a requirement, an entrenched competitor is granted a perpetual monopoly in his packaging colors and designs the day he adopts them, regardless of any trademark significance to the public. The elimination of this requirement by the court below creates new law in conflict with the other circuits and in conflict with public policy favoring imitation as a cornerstone of free competition.

Respondent, however, attempts to harmonize the decision below with decisions of other circuits by stating that the decision in *Vibrant Sales, Inc.* v. *New Body Boutique, Inc.*, 652 F.2d 299 (2d Cir. 1981), contrary to the above quote of the court below, "recognized that secondary meaning need not be proved in every case under § 43(a)." Brief in Opposition at 6. This position is mistaken. The Court in *Vibrant Sales* made the observation relied on by respondent in the context of false descriptions or representations, which do not involve consideration of confusion of source. Secondary meaning may not be required when confusion of source is not an issue. But for actions for "false designation of origin," which the Second Circuit applies to actions on the appearance of packages, the Court stated:

> Throughout this action, plaintiff has placed its reliance on the false designation of origin leg of § 43(a), where the requirements of secondary meaning *and* non-functionality clearly exist.

652 F.2d at 303, n.3 (emphasis added).

Hence, the decision below conflicts directly with the decision in *Vibrant Sales*.[3] Indeed, the decision below conflicts with each of the appellate decisions cited by Chevron as noted above and also with the district court decisions relied on by Chevron.[4] The decision below also conflicts with *Keene Corp.* v. *Paraflex Industries, Inc.*, 653 F.2d 822, 825 (3d Cir. 1981) (a decision subsequent to *SK&F, supra*).

The court below established erroneous and harmful policy when it relied solely upon New York law, *Perfect Fit Industries, Inc.* v. *Acme Quilting Co.*, 618 F.2d 950, 952-53 (2d Cir. 1980)

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[3] The Court below recognized this problem when it rejected the line of cases applying the "false designation of origin" leg to cases involving the appearance of packages, citing *Vibrant Sales* as one of those cases. [App. B at 8]. This rejection also establishes a conflict between the decisions.

[4] The district court decisions cited by Chevron, Brief in Opposition at 3, n.3, are not helpful in that the decisions are devoid of discussions of philosophy by the court. The cases include decisions which are merely adopted findings and conclusions. *Eastman Kodak Co.* v. *Royal-Pioneer Paper Box Mfg. Co., Inc.*, 197 F. Supp. 132, 132 (E.D. Pa. 1961); Defendant-Appellant's Opening Brief at 15-16, *Clairol Inc.* v. *Cosway Co., Inc.*, 184 U.S.P.Q. 583 (C.D. Cal. 1974), *appeal docketed*, No. 75-1648 (9th Cir. 1975) (case settled prior to disposition on appeal).

The cases also include decisions on applications for preliminary injunction in which the legal issues were not fully developed. *Eastman Kodak Co.* v. *Fotomat Corp.*, 165 U.S.P.Q. 444, 457 (N.D. Ga. 1970) (wherein a finding on secondary meaning is included in an amended order); *Ore-Ida Foods, Inc.* v. *Carnation Co. Inc.*, 197 U.S.P.Q. 176, 178 (S.D. Tx. 1977) (wherein the only mention of Section 43(a) was as a basis of jurisdiction together with 28 U.S.C. § 1338). As such, these decisions do not represent reasoned policy statements.

Unfortunately, these decisions breed similar decisions. *Cf., Scholl, Inc.* v. *Tops E.H.R. Corp.*, 185 U.S.P.Q. 754 (E.D.N.Y. 1975) and *Clairol Inc.* v. *Cosway Co., Inc.*, 184 U.S.P.Q. 583 (C.D. Cal. 1974).

Still, each of these decisions recognize implicitly or explicitly the need to prove a secondary meaning, and all of them demonstrate the need for a definitive interpretation by this Court of Section 43(a).

contrary to all of the common law and all of the appellate decisions under Section 43(a). New York law is an abberation which even the Second Circuit has not followed in interpretation of Section 43(a). *Perfect Fit, supra; Vibrant Sales, supra.*

Respondent also suggests erroneously that the fact that its package appearance is supposedly "arbitrary" saves it from having to prove secondary meaning and that such is consistent with the decisions of other circuits, citing *Keebler Co.* v. *Rovira Biscuit Corp.*, 624 F.2d 366, 378 (1st Cir. 1980). Brief In Opposition at 6-7, n. 7. In fact, the court in *Keebler* stated to the contrary in addressing Keebler's complaint regarding Rovira's label:

> Even if we were to agree that there was sufficient likelihood that consumers could as easily buy either of the two products, we do not believe that Keebler made out a claim for either common law unfair competition or "false designation of origin" under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). An element essential to common law unfair competition is that the features of a competitor's trade dress that plaintiff asserts are unfairly imitative have acquired a secondary significance, so that the public associates those features with the plaintiff. Kellogg Co. v. National Biscuit Co., supra. Similarly, the essence of a claim under section 43(a) of the Lanham Act is that a competitor's packaging or labeling deceives purchasers as to the source of its goods; i.e., that consumers buy the competitor's product thinking it to be that of the plaintiff. Joshua Meier Co. v. Albany Novelty Mfg. Co., supra, 236 F.2d at 147; Mortellito v. Nina of California, Inc., 335 F. Supp. 1288, 1294 (S.D.N.Y. 1972).

624 F.2d at 378.

The language quoted by respondent from *Keebler*, Brief In Opposition at 7, n. 7,[5] pertained to Keebler's claim to the shape

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[5] The entire sentence partially quoted by Respondent reads:

> Functional, as opposed to arbitrary or merely decorative, shapes are not subject to appropriation by one manufacturer.

624 F.2d at 378.

of its cylindrical can. As to this claim, the court in *Keebler* followed *Truck Equipment Service Co., supra,* which held that functional designs may not be protected at all and that non-functional designs may be protected only upon proof of secondary meaning.

Hence, contrary to respondent's representations and to the decision below, all other courts of appeals applying Section 43(a) to cases involving package appearance have required proof of secondary meaning.

Judge Learned Hand explained the basic rationale behind this requirement many years ago:

> The cases of so-called "nonfunctional" unfair competition, starting with the "coffee mill case," Enterprise Mfg. Co. v. Landers, Frary & Clark, 131 Fed. 240, 65 C. C. A. 587, are only instances of the doctrine of "secondary" meaning. All of them presuppose that the appearance of the article, like its descriptive title in true cases of "secondary" meaning, has become associated in the public mind with the first comer as manufacturer or source, and, if a second comer imitates the article exactly, that the public will believe his goods have come from the first, and will buy, in part, at least, because of that deception. Therefore it is apparent that *it is an absolute condition to any relief whatever that the plaintiff in such cases show that the appearance of his wares has in fact come to mean that some particular person* — the plaintiff may not be individually known — *makes them, and that the public cares who does make them,* and not merely for their appearance and structure. It will not be enough only to show how pleasing they are, because all the features of beauty or utility which commend them to the public are by hypothesis already in the public domain. The defendant has as much right to copy the "nonfunctional" features of the article as any other, so long as they have not become associated with the plaintiff as manufacturer or source. *The critical question of fact at the outset always is whether the public is moved in any degree to buy the article because of its source and what are the features by which it distinguishes that source.* Unless the

> plaintiff can answer this question he can take no step forward; no degree of imitation of details is actionable in its absence.

Crescent Tool Co. v. *Kilborn & Bishop Co.*, 247 F. 299, 300 (2d Cir. 1917) (emphasis added).

The RESTATEMENT OF TORTS adopted this same rationale for its section dealing with the unprivileged imitation of labels, wrappers, etc. by making secondary meaning essential to the cause of action:

> (b) the copied or imitated feature has acquired generally in the market a special significance identifying the other's goods . . .

RESTATEMENT OF TORTS § 741 (1938).

The Restatement explained this requirement as follows:

> To subject the actor to liability under the rule stated in this clause, the imitated feature must be regarded by prospective purchasers as identifying the source of the product. It is not sufficient that the feature is pleasing to them and that they desire goods having it. If that is the sole significance of the feature, competition would be unduly hampered by the prohibition of imitation. It is only when the feature in fact identifies source and the imitation is likely to deceive prospective purchasers who care about source that the imitator is subject to liability.

RESTATEMENT OF TORTS § 741 comment h (1938).

The recent expansion of Section 43(a) to preclude imitation of package appearance takes the statute outside both its language and its intended spirit and scope. The further step taken by the court below of eliminating the requirement of proving secondary meaning takes Section 43(a) outside all well-founded policy. Indeed, this further step makes Section 43(a) a sword against new competition, and forces new competition to adopt less desirable marketing colors and package designs.[6]

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[6] The testimony at trial established that the typeface and colors on the competitive packages were commonly used and highly desirable

II.

The Court Should Grant Certiorari To Minimize Future Litigation

In this case, the parties prominently displayed their registered trademarks on their respective packages, and no actual confusion of purchasers was found in over four years of head-to-head competition. The interpretation below of Section 43(a) as a sword to preclude competition when no harm has been shown is simply dead wrong.

The Court should accept this case and announce proper policy to minimize litigation of Section 43(a) cases in the years to come. Otherwise, Section 43(a) will remain a hotbed of litigation between entrenched competitors and new or prospective competition.[7]

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for packaging design. See, e.g., App. E (Excerpts of Testimony of Terry Pinkston). Indeed, the district court found:

> Numerous third parties use red and yellow to package their lawn and garden products. (See Defendant's Exhibit K showing 23 such products). The frequent use of red and yellow in the lawn and garden market occurs because these are two of the three primary colors, they present a striking shelf appearance, and they provide a legible background for the product name, trademark, and required government warnings and directions.

[App. A at 6].

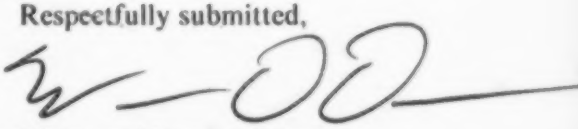
[7] *See, e.g., Inwood Laboratories, Inc. et al* v. *Ives Laboratories, Inc.*, 638 F.2d 538 (2d Cir.), *cert. granted*, 102 S.Ct. 386 (1981) (No. 80-2182, No. 81-11, October Term, 1981) (a case in which an entrenched drug manufacturer seeks to place the manufacturers of generic drug substitutes at a competitive disadvantage).

CONCLUSION

Respondent's brief and the cases it cites dramatize the need for a definitive decision by the Court. Petitioner believes that this case presents an appropriate vehicle for resolution of the proper scope and meaning of Section 43(a) in view of established principles of free competition.

For the foregoing reasons, it is respectfully requested that the Court grant a Writ of Certiorari to review decision of the Court of Appeals for the Fifth Circuit.

Respectfully submitted,



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APPENDIX E

TERENCE PINKSTON,

called as a witness in behalf of the Plaintiff, being duly sworn, testified on his oath as follows:

DIRECT EXAMINATION

BY MR. OGILVIE:

Q. Would you state your full name.

A. Terence Dale Pinkston.

Q. Where do you work, Mr. Pinkston?

A. Corporate Graphics in Arlington.

Q. What is the address?

A. 2104 East Randol Mill Road.

Q. Arlington, Texas?

A. Yes.

Q. Could you explain to us what your Corporate Graphics business does, what is the business?

A. Primarily we are an art studio with a subdivision that places media, so we are a limited advertising agency of sorts. We specialize in production art for printing.

Q. Do you prepare art at Corporate Graphics?

A. Yes.

Q. And do you place it for publication with media?

A. When the client directs, yes.

Q. How long have you been in this business?

A. The company started in 1965 or '66.

[Tr. 235-36].

(ON CROSS EXAMINATION)

Q. Now, what kind of type face did you recommend?

A. We selected Helvetica because that's a common face that would be available to most printers. It's a universal face. A couple of our clients won't let us set anything else but that type face, so I thought there would be a better

chance of having a match throughout the line from all these differenct printing companies.

Q. Is it a highly legible type face?

A. Oh, yes. It's good heavy bold — well, this is an example of it here. It's just a —

Q. Has that been marked as an exhibit?

A. This one? I don't believe so.

Q. All right. You are referring to a Hi-Yield ant killer granule label?

A. Right.

Q. At the time you recommended the — I don't know what that word is, Helvetica or something?

A. Right.

Q. — type face, were you aware of the type face on the Ortho labels?

A. No.

Q. In regard to that Hi-Yield label before you, is there any unusual shade of red or yellow there?

A. On the label itself?

Q. Yes, sir.

A. No. That's a standard hot red and solid yellow. It's a — they are primary colors. Just — there's nothing subtle about them. They are crayola-type colors. I guess that's all I can say about them.

[Tr. 249-50].